SANIX INCORPORATED

Consolidated Financial Statements

For the First quarter ended June 30, 2015

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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.

Aug. 10, 2015

Consolidated Financial Statements

For the first quarter ended June 30, 2015

SANIX INCORPORATED

Stock Listed:	Tokyo Stock Exchange First Section, Fukuoka Stock Exchange
Code No.:	4651
URL:	http://sanix.jp/index_e.htm
President and CEO:	Shin-ichi MUNEMASA
Contact:	Kozo INOUE, Director, Management Corporate Officer, General Manager of Management and Planning Division

1. Consolidated Financial Highlights for the first quarter ended June 30, 2015

(April 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

(Millions of Yen)

	First Quarter between April 1 and June 30			
	FY2014	% change	**FY2015**	**% change**
Net Sales	21,714	37.8	**15,690**	**(27.7)**
Operating Income	(1,129)	-	**(1,332)**	-
Ordinary Income	(1,005)	-	**(1,368)**	-
Net Income	(1,222)	-	**(1,754)**	-
Net Income per Share(￥)	(¥25.62)	-	**(¥36.70)**	-
Net Income per Share, Diluted(￥)	-	-	-	-
(Reference) Comprehensive income	(1,208)	-	**(1,695)**	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of June 30	
	FY2014	**FY2015**
Total Assets	49,120	**41,293**
Net Assets	7,331	**5,635**
Shareholders' Equity Ratio (%)	14.9%	**13.6%**
Net Assets per Share (￥)	152.74	**117.26**

(Reference) Shareholders’ equity First quarter ended June 30, 2015 : 5,605 million yen

Fiscal Year ended March 31, 2015 : 7,302 million yen

2. Dividends

	At the end of				
	1st quareter	2nd quareter	3rd quareter	4th quareter	Annual
(Dividends per Share)					
FY2014 ended March 31,2015	0.00	0.00	0.00	0.00	0.00
FY2015 ended March 31,2016	0.00				
FY2015 ended March 31,2016 (forecasts)		0.00	0.00	0.00	0.00

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2016)

(Millions of Yen)

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

4. Others

(1) Changes in significant subsidiaries during FY2015: None

(2) Adoption of special quarterly accounting methods: None

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

ⅰ)Changes in accounting principles due to revisions to accounting standards: Yes

ⅱ)Changes other than shown in ⅰ) above: None

ⅲ)Changes in accounting estimates: None

ⅳ)Correction of prior period error: None

(4) Number of Shares Issued and Outstanding

(Shares)

	First Quartr	Full Year
	ended June 30,2015	**ended March 31,2015**
Number of shares issued and outstanding at period end. . .	48,919,396	**48,919,396**
Number of treasury stocks at period end.	1,113,193	**1,113,143**
Average Number of shares outstanding during the priod. . . .	47,806,228	**47,735,265**

Implementation status about the quarterly review:

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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1. Qualitative Information for the first quarter ended June 30, 2015

(1) Qualitative Information of Consolidated Operation Results

In the first quarter of the fiscal year ending March 31, 2016 (April 1, 2015 to June 30, 2015), the Japanese economy continued to follow a modest recovery path, with improved corporate earnings and an upturn in employment conditions. However, the outlook remained uncertain, reflecting rising raw material prices linked with the depreciation of the yen, among other factors.

In this business environment, our Group concentrated on the integrated business ranging from the development and procurement of members for photovoltaic (PV) systems to the sales, construction and maintenance of PV systems. In the business environment surrounding PV systems, the operation of the "Renewable Energy Feed in Tariff Purchasing Program" was revised in January 2015, and the output control rules were changed. The Group strengthened its framework in the areas controlled by Tokyo Electric Power Company, the Chubu Electric Power Company and The Kansai Electric Power Company, which are large markets, to respond accurately to trends in the market environment created by these institutional changes in each area of electric power companies, taking into account the appropriate personnel structures in the Kyushu and the Shikoku regions.

In addition, to respond to the medium-term business environment surrounding PV systems, the Group implemented management rationalization to maintain sustainable growth and completed measures such as the voluntary retirement of 609 employees and the elimination and consolidation of 20 stores in the first quarter under review.

As for sales in the first quarter under review, the Solar Engineering (SE) Division posted a decline in sales in the installation of PV systems as sales decreased significantly in the Kyushu and the Shikoku regions, where the impact of institutional changes such as the output control rules was significant, while sales increased substantially in the East Japan region. As a consequence, the net sales of the entire Group were ¥15,690 million, or down 27.7% from a year earlier.

In terms of profitability, the SE Division posted an operating loss, reflecting the projection that the positive effect of reducing costs by management rationalization, etc. would begin to appear from the second quarter of the fiscal year under review, as well as lower sales. As a consequence, for the whole Group, the operating loss was ¥1,332 million compared to the operating loss of ¥1,129 million in the same period of the previous year, and the ordinary loss was ¥1,368 million compared to the ordinary loss of ¥1,005 million in the same period of the previous year. In addition, the Group posted ¥284 million for temporary expenses such as special retirement benefits arising from the recruitment of voluntary retirement as an extraordinary loss, and the net loss belonging to the shareholders of the parent company stood at ¥1,754 million compared to the net loss belonging to the shareholders of the parent company of ¥1,222 million in the same period of the previous year.

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

a. Solar Engineering (SE) Division

Segment sales slumped as demand fell significantly in Kyushu and Shikoku, areas that both account for a large proportion of sales. As a results, costs only decreased slightly due to streaming operations in 1Q, causing the operating loss of ¥1,150 compared to the operating loss of ¥930 million in the same period of the previous year

(reference : The segment had an average of 2,288 employees at end March 2015, and 1,619 at end June 2015)

b. Environmental Resources Development (ERD) Division

Plastic fuel sales declined 8.3% from a year earlier, despite higher collection volume of waste plastic, due to a fall in unit prices. As a results, Electricity sales fell 11.5% year on year owing to a decline in electricity prices. Operating profit was ¥223 million (down 40.5% year-on-year with the decline in sales).

c. **Home Sanitation (HS) Division**

The HS Division focused on maintenance-related customer management such as termite control services and floor/ceiling ventilation systems. As a result, net sales were ¥1,942 million (down 5.9% year on year).The operating income increased by 16.5% to ¥384 million yen due to cost reduction, compared to the same period the previous year.

d. **Establishment Sanitation (ES) Division**

The ES Division concentrated on sanitation maintenance-related customer management such as high-rise building and condominiums. As a result, net sales were ¥237 million yen (down 12.9% year on year).

However, cost reduction measured results in an operating profit of ¥11 million yen in spite of decreases in segment sales (compared to the operating loss of ¥50 million yen in the same period of the previous year).

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first quarter under review were ¥41,293 million, a decrease of ¥7,827 million, compared with the end of the previous consolidated fiscal year. Major factors were a decrease of ¥3,392 million in cash and deposits, and a decrease of ¥4,543 million in notes and accounts receivable-trade. Total liabilities were ¥35,657 million, a decrease of ¥6,132 million ,compared with the end of the previous consolidated fiscal year. Major factors were decreases in notes and accounts payable-trade, income taxes payable and accounts payable-other, offsetting an increase in short-term loans payable. Total net assets were ¥5,635 million, a decrease of ¥1,695 million compared with the end of the previous consolidated fiscal year. A major factor was the recording of a net loss of ¥1,754 million yen attributed to parent company.

As a result, the ratio of owners' equity was 13.6% at the end of the first quarter under review as compared with14.9% at the end of the previous consolidated fiscal year.

(3) Qualitative information on the forecast of consolidated business results

There is no change in the forecast of consolidated business results for the current fiscal year ending March 31, 2016, the SANIX Group announced on May 13, 2015.

2. Other information

(1) Changes in significant subsidiaries during FY2015

: None

(2) Adoption of special quarterly accounting methods

: None

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement of Revisions

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

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

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

There is no impact on the quarterly consolidated financial statements in the first quarter of the fiscal year under review.

3. Important information regarding assumption of a going concern

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

To resolve the situation above, however, the Group is working to improve its income structure, reducing overall fixed costs by strengthening the framework in the Kanto, Kansai and Chukyo regions with a large market, while taking into account the appropriate personnel structure in the Kyushu and Shikoku regions in order to address drastic changes in the business environment in the SE Division in a timely and appropriate manner. To respond to the medium-term business environment surrounding the PV systems business, the Group judged that the implementation of further management rationalization would be essential, and completed the voluntary retirement of 609 employees and the elimination and consolidation of 20 stores by the end of June 2015 in this business segment.

As a result of reviewing our future cash management plan, we have judged that significant uncertainty about the going concern assumption is not recognized, given that there is no significant doubt as to our financing if we implement these measures.

4. Consolidated Financial Statements for the first quarter ended June 30, 2015

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of March 31 FY2014	**As of June 30 FY2015**
Assets:		
Current Assets:		
Cash and deposits	7,026	**3,634**
Notes and accounts receivable-trade	14,800	**10,257**
Merchandise and finished goods	504	**875**
Work in process-construction	1,738	**1,606**
Raw materials and supplies	8,043	**8,053**
Other	694	**561**
Allowance for doubtful accounts	(1,237)	**(1,119)**
Total Current Assets:	31,569	**23,868**
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and Structures (net of depreciation)	2,533	**2,464**
Machinery, Equipment and Vehicles (net of depreci	1,640	**1,743**
Land	9,399	**9,399**
Oter,net	1,525	**1,356**
Total Propert,Plant and Equipent	15,099	**14,965**
Intangible Fixed Assets:		
Goodwill	401	**373**
Other, net	143	**145**
Total Property, Plant and Equipment:	545	**519**
Total Investments and Other Assets:	1,906	**1,940**
Total Fixed Assets:	17,551	**17,424**
Total Assets:	49,120	**41,293**
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	18,537	**12,051**
Short-term loans payable	6,360	**9,273**
Accounts payable-other	4,408	**3,184**
Accured consumption taxes	208	**108**
Provision	31	**66**
Other	6,013	**5,061**
Total Current Liabilities:	35,560	**29,745**
Non-Current Liabilities:		
Bonds payable	10	**10**
Long-term loans payable	3,045	**2,750**
Provision for directors' retirement benefits	170	**170**
Provision for landfill closure cost	477	**496**
Retirement benefits liabilities	1,490	**1,511**
Other	1,034	**972**
Total Non-Current Liabilities	6,229	**5,912**
Total Liabilities	41,789	**35,657**

(Millions of Yen)

	FY2014	**FY2015**
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041	**14,041**
Capital surplus	4	**4**
Retained earnings	(5,588)	**(7,343)**
Treasury stock	(1,481)	**(1,481)**
Total Shareholders' Equity:	6,976	**5,221**
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	171	**203**
Foreign currency translation adjustment	184	**202**
Adjustment for Retirement Benefits (Cumulative)	(30)	**(22)**
Total Valuation and translation adjustments:	325	**383**
Non-controlling interests	29	**29**
Total Net Assets:	7,331	**5,635**
Total Liabilities and Net Assets:	49,120	**41,293**

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of Yen)

	First quarter from April 1 to June 30	
	FY2014	**FY2015**
Net sales	21,714	**15,690**
Cost of sales	16,907	**12,713**
Gross profit	4,806	**2,977**
Selling, general and administrative expenses	5935	**4309**
Operating income (loss)	(1,129)	**(1,332)**
Non-operating income:		
Interest income	1	**16**
Dividends income	5	**7**
Land and house rent revenue	18	**17**
	87	**-**
Subsidy income	46	**45**
Other	30	**25**
Total non-operating income	190	**110**
Non-operating expenses:		
Interest expenses	50	**50**
Rent expenses	4	**4**
Foreign exchange losses	-	**85**
Other	12	**6**
Total non-operating expenses	66	**146**
Ordinary income (loss)	(1,005)	**(1,368)**
Extraordinary loss:		
Cost of earlier voluntarty retirement	-	**284**
Total extraordinary loss	-	**284**
Loss before income taxes and minority interests	(1,005)	**(1,653)**
Income taxes-current	116	**100**
Income taxes-deferred	101	**(0)**
Total income taxes	217	**100**
Net loss	(1,223)	**(1,753)**
Net income(loss) attributed to non-contorolling shareholders	(0)	**0**
Net loss attributed to parent company's shareholders	△1,222	**(1,754)**

Comprehensive Income

(Millions of Yen)

	First quarter from April 1 to June 30	
	FY2014	**FY2015**
Net loss	(1,223)	**(1,753)**
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	17	**31**
Foreign currency translation adjustment	(10)	**18**
Retirement benefit adjustment	8	**7**
Total other comprehensive income	15	**57**
Comprehensive income	(1,208)	**(1,695)**
Comprehensive income attributable to		
Comprehensive income attributable to parent company	(1,207)	**(1,696)**
Comprehensive income attributable to non-contorolling shareholders	(0)	**0**

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern)

: None

(Notes to remarkable changes in Shareholders' Equity)

: None

(Segment Information)

Segment Information by Type of Business

Prior first quarter (From April 1, 2014 to June 30, 2014)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Adjustments (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	15,635	2,064	273	3,741	21,714	–	21,714
Internal sales among segments and transfer accounts.	–	–	–	–	–	–	–
Total	15,635	2,064	273	3,741	21,714	–	21,714
Operating income(loss)	(930)	330	(50)	374	(275)	(854)	(1,129)

(note 1)

Negative ¥854 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses note attributable to reportable segments.

(note 2)

Operating income (loss) is adjusted to operating loss of Consolidated quarterly statements of income.

This first quarter (From April 1, 2015 to June 30, 2015)

(Millions of Yen)

Segments	SE	HS	ES	ERD	Total	Adjustments (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	10,043	1,942	237	3,465	15,690		15,690
Internal sales among segments and transfer accounts.	–	–	–	–	–	–	–
Total	10,043	1,942	237	3,465	15,690	–	
Operating income(loss)	(1,150)	384	11	223	(530)	(801)	(1,332)

(note 1)

Negative ¥801 million yen for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses note attributable to reportable segments.

(note 2)

Operating income (loss) is adjusted to operating income of Consolidated quarterly statements of income.

5. Supplemental information

Net Sales by Division

(Millions of Yen)

	First quarter from April 1 to June 30		Changes
	FY2014	**FY2015**	
Commercial PV system	13,438	**8,078**	(5,359)
wholesale of PV components	2,167	**1,935**	(232)
others	29	**29**	0
Solar Engineering Total:	15,635	**10,043**	(5,591)
Termite Eradication Service	752	**810**	58
Under-Roof/Floor Ventilation System	283	**253**	(30)
Foundation Repairing/Home Reinforcement System	145	**125**	(20)
Other	882	**753**	(128)
Home Sanitation Division Total:	2,064	**1,942**	(121)
Anti-rust equipment installation	25	**10**	(14)
Repair of building water-works	113	**120**	6
Waterproofing of building	25	**13**	(12)
Other	108	**94**	(14)
Establishment Sanitation Division Total:	273	**237**	(35)
Plastic fuel	1,903	**1,717**	(186)
Industrial waste (Organic Waste Water Recycle)	977	**864**	(112)
Generation of electricity	410	**419**	9
Final disposal	174	**182**	8
Other	276	**280**	4
Environmental Resources Development Division Total:	3,741	**3,465**	(275)
Total Net Sales:	21,714	**15,690**	(6,024)