SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the First Half Ended September 30, 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 First Half ended September 30, 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, General Manager of Management & Planning Division

1. Business Results – Operating results for the First Half ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results

(In Millions of Yen)

	First Half From April 1 to September 30			
	FY2017	**%change**	FY2016	%change
Net Sales	**24,162**	**2.2%**	23,651	(22.8%)
Operating Income	**138**	**33.9%**	103	―
Ordinary Income	**(29)**	―	202	―
Net Income	**(155)**	―	(146)	―
Net Income per Share (¥)	**(¥3.25)**	―	(¥3.05)	―
Net Income per Share, Diluted (¥)	―	―	―	―
(Note) Comprehensive Income	**(104)**	―	(366)	―

(2) Consolidated Financial Position

(In Millions of Yen)

	As of September 30 **FY2017**	As of March 31 FY2016
Total Assets	**29,353**	31,645
Net Assets	**2,740**	2,845
Shareholders' Equity Ratio (%)	**9.2%**	8.9%
Net assets per share (¥)	**¥56.63**	¥58.86
(Reference) Equity Capital	**2,707**	2,813

2. Dividends

	End of Quarterly Period				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
(Dividends per Share)					
FY2016 ended March 31, 2017 (¥)	0.00	0.00	0.00	0.00	0.00
FY2017 ended March 31, 2018 (¥)	0.00	0.00			
FY2017 ended March 31, 2018 (¥) (Forecast)			0.00	0.00	0.00

(Note) Revision from the most recently announced dividend forecast : None

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

(In Millions of Yen)

	Fiscal Year 2017	
	Full Year	**%change**
Net Sales	**47,680**	**(6.4%)**
Operating Income	**1,210**	**16.7%**
Ordinary Income	**1,090**	**20.2%**
Net Income	**810**	**94.7%**
Net Income per Share (¥)	**¥16.94**	

(Note) Revision from the most recently announced forecast of consolidated business results : None

* Notes

(1) Changes in significant subsidiaries during the period

(Change 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) Adoption of special quarterly accounting methods : None

(3) 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

(4) Number of Issued and Outstanding Shares (Common Stock)

(Shares)

	End of term	
	September 30, 2017	March 31, 2017
Number of issued and outstanding shares ,end of period (including treasury stock)	**48,919,396**	48,919,396
Number of treasury stock ,end of period	**1,113,818**	1,113,668
Average number of shares during the fiscal term	**47,805,678**	*47,805,889

* September 30, 2016

* 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.

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1. Qualitative Information for the first half ended September 30, 2017

(1) Information of Consolidated Business Results

In the first half of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017), the Japanese economy continued to follow a recovery path as consumer confidence picked up backed by improved employment and income conditions in addition to a rise in corporate earnings, despite future uncertainty remaining due partly to political instability overseas.

In this business environment, the Group pressed forward with management streamlining, including employee reductions, store mergers and closures, and logistics and production downsizing in line with the medium-term business plan (FY2016-FY2018) that was established in light of the business environment surrounding the solar energy market that continued to shrink due to factors such as the legislative revisions for the Feed-In Tariffs (FIT) during the previous fiscal year, which was the first year of the medium-term business plan. Further, in the current fiscal year, which constitutes the second year of the medium-term business plan, the Group established the Headquarters Overseeing SE, HS and ES as part of its restructure to establish cross-organizational functions, with the intention of facilitating effective operation and efficient installations through the cooperation of the three businesses, Solar Engineering (SE), Home Sanitation (HS), and Establishment Sanitation (ES), which shared their operating facilities. Additionally, some of the personnel were relocated from the SE Division to the HS and ES Divisions for more appropriate placement among the business divisions.

Net sales in the SE Division decreased due to the shrinkage of the market for solar power generation. However, the appropriate distribution of personnel and other management resources as well as the strengthened marketing system, etc. resulted in an increase in the revenue of the HS and ES Divisions. The Environmental Resources Development Division also achieved increased sales based on the expansion of its new electric power business. Consequently, the total net sales of the Group increased 2.2% year on year, to ¥24,162 million.

Profits declined significantly in the Environmental Resources Development Division as a result of statutory inspections and repair works at the Tomakomai Power Plant in the first half under review, but profitability improved in the other three divisions thanks primarily to reduced expenses as a result of management streamlining and the lower cost of materials. As a result, the overall financial results of the Group included operating income of ¥138 million (up 33.9% year on year), an ordinary loss of ¥29 million (ordinary income of ¥202 million in the same period of the previous year) mainly due to the posting of foreign exchange losses of ¥28 million and miscellaneous loss of ¥44 million due to store mergers and closures, and loss attributable to owners of parent of ¥155 million (loss attributable to owners of parent of ¥146 million in the same period of the previous year).

Consolidated results of individual divisions for the first quarter were as follows:

a. SE (Solar Engineering) Division

While the Division focused on the maintenance business including the installation of incidental equipment following the legislative revisions for the Feed-In Tariffs (FIT), sales from installation of PV systems declined 27.4% year on year due to a fall in the number of constructions and installations of PV systems, strongly affected by the contraction of the market size for commercial PV systems. As a consequence, the sales were ¥8,716 million (decreased 27.2% year on year).

Despite the significant fall in sales, operating income increased to ¥937 million (up 143.3% year on year) thanks to improved profitability as a result of the in expenses through management streamlining, in cost of materials and in labor expenses due to employee reductions, etc.

b. HS (Home Sanitation) Division

As a result of focusing on the strengthening and enhancement of the marketing and customer management systems by increasing the number of employees through personnel transfers among the business divisions for the purpose of growing the business size of the HS Division, sales of termite eradication services increased 12.6% year on year, and sales of under-roof and roof ventilation systems were up 30.6% year on year. Sales of foundation repair and home reinforcement services rose 217.2% year on year. As a result, the sales were ¥4,611 million (increased 38.9% year on year).

Operating income rose 46.1% year on year, to ¥749 million, thanks to the significant rise in segment sales, which offset an increase in fixed costs mainly due to the additional employees.

c. ES (Establishment Sanitation) Division

Sales of anti-rust equipment installation, the key product and service, increased 571.3% year on year, and sales of repairs of building water-works rose 22.9% year on year as a result of focusing on products for the maintenance of buildings and condominiums and strengthening the marketing system by increasing the number of employees through personnel transfers among the business divisions for the purpose of expanding the size of the ES Division. As a result, net sales were ¥685 million (increased 40.0% year on year).

Operating income climbed to ¥98 million (an increase of 226.9% year on year) based on the strong growth of segment sales, which offset an increase in fixed costs mainly due to the additional employees.

d. Environmental Resources Development Division

Sales of plastic fuel increased 6.4% year on year and organic wastewater recycling rose 3.7% year on year. Electricity sales grew 74.9% year on year, due primarily to an increase in electric energy suppliers in the new electric power business. As a consequence, the sales were ¥10,149 million (increased 29.0% year on year).

Operating loss was ¥57 million (operating income of ¥577 million in the same period of the previous year) due mainly to a fall in electricity sales and an increase in expenses for statutory inspections and repair works at the Tomakomai Power Plant, affected by the implementation of statutory inspections once every two years and regular repairs at the Plant in the first half under review.

(2) Information of Consolidated Financial Position

a. The status of Assets, Liabilities and Net Assets

Total assets as of the end of the second quarter under review were ¥29,353 million, a decrease of ¥2,291 million compared with the end of the previous consolidated fiscal year, mainly due to a decrease in cash and deposits of ¥1,119 million, a decrease in notes and accounts receivable-trade of ¥502 million, a decrease in merchandise and finished goods of ¥137 million, a decrease in raw materials and supplies of ¥393 million, and a decrease in buildings and structures of ¥150 million.

Total liabilities were ¥26,612 million, a decrease of ¥2,186 million compared with the end of the previous consolidated fiscal year, mainly due to a decrease in notes and accounts payable-trade of ¥1,767 million, a decrease in short-term loans payable of ¥606 million and a decrease in the current portion of long-term loans payable of ¥263 million, while accounts payable increased by ¥682 million.

Net assets were ¥2,740 million, a decrease of ¥104 million compared with the end of the previous consolidated fiscal year, mainly due to the posting of loss attributable to owners of parent of ¥155 million.

As a consequence, the shareholders’ equity ratio was 9.2% compared with 8.9% at the end of the previous consolidated fiscal year.

b. The status of Cash Flows

Cash and cash equivalents as of September 30, 2017 totaled ¥3,703 million, a decrease of ¥1,172 million from March 31, 2017.

The following is the situation and major factors in each category of cash flows in the first half under review.

ⅰ) Net cash provided by (used in) operating activities

Net cash provided by operating activities totaled ¥44 million (compared to net cash used of ¥2,251 million in the same period last year). This was mainly due to a decrease in notes and accounts receivable-trade of ¥502 million, a decrease in inventories of ¥546 million and an increase in other current liabilities of ¥823 million, while notes and accounts payable-trade decreased ¥1,796 million.

ⅱ) Net cash provided by (used in) investing activities

Net cash used in investing activities totaled ¥39 million (compared to net cash provided of ¥109 million in the same period last year). This was mainly due to proceeds from withdrawal of time deposits of ¥642 million and payments into time deposits of ¥667 million.

ⅲ) Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to ¥1,184 million (compared to net cash provided of ¥2,777 million in the same period last year), mainly due to a net decrease in short-term loans payable of ¥606 million and the repayment of long-term loans payable of ¥357 million.

(3) Information on the Future Outlook, Including the Forecasts of Consolidated Business Results

There is no change in the forecasts of consolidated business results for the current fiscal year ending March 31, 2018, from the forecasts announce on May 11, 2017.

(Note to forward-looking statements, etc.)

Results forecasts and other forward-looking statements contained in this document are based on information available as of the date of this document and assumptions that are deemed reasonable by the Company, and the Company does not intend to promise to achieve them. Actual results may differ significantly from these forecasts and forward-looking statements due to various factors.

2. Quarterly Consolidated Financial Statements and Matters relating to Summary Information (Notes) for the first half ended September 30, 2017

(1) Quarterly Consolidated Balance Sheets

(In Millions of Yen)

	As of Mar. 31 FY2016	**As of Sep. 30 FY2017**
Assets :		
Current Assets :		
Cash and deposits	5,578	**4,458**
Notes and accounts receivable-trade	6,017	**5,515**
Merchandise and finished goods	549	**412**
Work in process-construction	304	**294**
Raw materials and supplies	4,605	**4,212**
Other	1,010	**1,167**
Allowance for doubtful accounts	(544)	**(560)**
Total Current Assets	17,522	**15,500**
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,720	**1,570**
Machinery, Equipment and Vehicles(net of depreciation)	1,234	**1,259**
Land	7,941	**7,811**
Other (net of depreciation)	1,382	**1,402**
Total Property, Plant and Equipment	12,278	**12,043**
Intangible Fixed Assets :		
Goodwill	177	**121**
Other	148	**159**
Intangible Fixed Assets	325	**281**
Investments and Other Assets :	1,518	**1,528**
Total Fixed Assets	14,122	**13,853**
Total Assets	31,645	**29,353**

(In Millions of Yen)

	As of Mar. 31 FY2016	**As of Sep. 30 FY2017**
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	6,365	**4,597**
Short-term loans payable	12,969	**12,363**
Current portion of long-term loans payable	535	**272**
Accounts payable	2,644	**3,327**
Accrued income taxes	428	**268**
Allowance for resource-recycling expenses	27	**24**
Other	2,615	**2,848**
Total Current Liabilities	25,586	**23,701**
Non-Current Liabilities :		
Long-term loans payable	484	**390**
Provision for directors’ retirement benefits	163	**9**
Provision for disposal site closing expenses	538	**557**
Liability related to retirement benefits	1,404	**1,425**
Other	620	**528**
Total Non-Current Liabilities	3,212	**2,911**
Total Liabilities	28,799	**26,612**
Net Assets :		
Shareholders’ Equity :		
Capital stock	14,041	**14,041**
Capital surplus	1	**1**
Retained earnings	(9,777)	**(9,932)**
Treasury stock	(1,481)	**(1,481)**
Total Shareholders’ Equity	2,784	**2,629**
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	71	**80**
Foreign currency translation adjustment	(28)	**4**
Adjustment for retirement benefits (cumulative)	(14)	**(7)**
Total Accumulated other comprehensive income	28	**77**
Non-controlling Interests	32	**33**
Total Net Assets	2,845	**2,740**
Total Liabilities and Assets	31,645	**29,353**

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(For the first half of the fiscal year ending March 31, 2018)

(In Millions of Yen)

	First Half	
	From April 1 to September 30	
	FY2016	**FY2017**
Net sales	23,651	**24,162**
Cost of sales	16,944	**17,476**
Gross profit	6,707	**6,685**
Selling, general and administrative expenses	6,604	**6,546**
Operating income (loss)	103	**138**
Non-operating income :		
Interest income	9	**7**
Dividends income	1	**1**
Land and house rent revenue	32	**31**
Foreign exchange gains	156	**-**
Subsidy income	-	**20**
Other	53	**28**
Total non-operating income	253	**88**
Non-operating expenses :		
Interest expenses	113	**109**
Commission fee	5	**21**
Foreign exchange losses	-	**28**
Other	35	**96**
Total non-operating expenses	154	**256**
Ordinary income (loss)	202	**(29)**
Extra ordinary loss :		
Cost of earlier voluntary retirement	177	**-**
Total extra ordinary loss	177	**-**
Income (loss) before income taxes and minority interests	25	**(29)**
Income taxes-current	167	**128**
Income taxes-deferred	2	**(4)**
Total income taxes	169	**124**
Net Income (loss)	(144)	**(154)**
Net Income (loss) belonging to the non-controlling shareholders	1	**1**
Net income (loss) belonging to the shareholders of the parent company	(146)	**(155)**

(Quarterly Consolidated Statements of Comprehensive Income)
(For the first half of the fiscal year ending March 31, 2018)

(In Millions of Yen)

	First Half From April 1 to September 30	
	FY2016	**FY2017**
Net Income (loss)	(144)	**(154)**
Other comprehensive income :		
Valuation difference on available-for-sale securities	(2)	**8**
Foreign currency translation adjustment	(144)	**33**
Adjustment for retirement benefit adjustment	(74)	**7**
Total other comprehensive income	(221)	**49**
Comprehensive net income	(366)	**(104)**
Comprehensive income		
Comprehensive income belonging to the shareholders of the parent company	(367)	**(106)**
Comprehensive income belonging to non-controlling shareholders	1	**1**

(3) Quarterly Consolidated Statements of Cash Flows

(In Millions of Yen)

	First Half From April 1 to September 30	
	FY2016	**FY2017**
Net Cash Provided by (Used in) Operating Activities		
Income (loss) before income taxes and minority interests	25	**(29)**
Depreciation and amortization	333	**324**
Amortization of goodwill	56	**56**
Increase (decrease) in provision	(7)	**(158)**
Increase (decrease) in provision for retirement benefits	(84)	**27**
Increase (decrease) in allowance for doubtful accounts	(124)	**9**
Interest income and dividends income	(11)	**(8)**
Interest expenses	113	**109**
Increase (decrease) in notes and accounts receivable-trade	824	**502**
Increase (decrease) in inventories	902	**546**
Increase (decrease) in other current assets	(198)	**(135)**
Increase (decrease) in notes and accounts payable-trade	(2,385)	**(1,796)**
Increase (decrease) in accrued consumption taxes	(204)	**77**
Increase (decrease) in other current liabilities	(1,352)	**823**
Other, net	39	**82**
Subtotal	(2,073)	**430**
Interest and dividends income received	10	**8**
Interest expenses paid	(128)	**(107)**
Income taxes paid	(69)	**(285)**
Income taxes refund	9	**-**
Net cash provided by (used in) operating activities	(2,251)	**44**
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(430)	**(667)**
Proceeds from withdrawal of time deposits	715	**642**
Purchase of property, plant and equipment	(189)	**(168)**
Proceeds from sales of property, plant and equipment	60	**200**
Other, net	(46)	**(45)**
Net cash provided by (used in) investing activities	109	**(39)**
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,528	**(606)**
Repayment of long-term loans payable	(521)	**(357)**
Redemption of bonds	(10)	**-**
Repayments of finance lease obligations	(133)	**(125)**
Other, net	(85)	**(95)**
Net cash provided by (used in) financing activities	2,777	**(1,184)**
Effect of exchange rate change on cash and cash equivalents	(52)	**7**
Net increase (decrease) in cash and cash equivalents	583	**(1,172)**
Cash and cash equivalents, beginning of the period	2,218	**4,875**
Cash and cash equivalents, end of the quarter	2,802	**3,703**

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes to the Assumption of a Going Concern)

While the Group incurred 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, it achieved operating income, ordinary income, and profit attributable to owners of parent during the previous fiscal year and, in the first half under review as well, the Group proceeded steadily with the medium-term management plan by posting operating income of ¥138 million, ordinary loss of ¥29 million, and loss attributable to owners of parent of ¥155 million. However, the Group is still working toward achieving the targets in its medium-term business plan, and its interest-bearing debt is ¥13,652 million, which is high compared with its liquidity on hand. Accordingly, the Group 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 the business foundation to achieve sustainable growth. The Company is thus 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 ES Division, and further improving efficiency of the Environmental Resources Development Division.

ⅱ) Strengthening the business base through thorough streamlining

During the previous fiscal year, the Company disposed of assets in accordance with the downsizing of the SE Division (store mergers and closures, reduction of production, logistics and procurement downsizing, and the closure of a logistics center, etc.). The number of employees has reached the level initially planned as a result of voluntary retirement that was encouraged in order to reduce the workforce to an appropriate level for the sales volume in the medium-term business plan. In addition, the salaries of all employees have been reduced.

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.

In the previous fiscal year, we finished implementing most of the management streamlining measures such as the reduction of employees, store mergers and closures, and production and logistics downsizing, resulting in increased profitability that has enabled the business to remain in the black. Now, in the fiscal year under review, which is the second year of the medium-term business plan, we have established the Headquarters Overseeing SE, HS and ES in order to further solidify the business foundation, as well as cross-organizational functions to facilitate effective operation and efficient installations through the cooperation of the three segments while also transferring some of the personnel from the SE Division to the HS and ES Divisions. With regard to funding, we are steadily implementing the medium-term business plan, which was developed based on the assumption of the continued support of the main financing bank. We expect to continue to receive support and cooperation with regard to financing and will work to stabilize our cash management.

While we are steadily implementing the measures above, we are still in the process of making progress in the medium-term management plan. In addition, the main financing bank, while indicating its understanding, has not guaranteed its support and cooperation. As a result, the Company recognizes that at present, there is material uncertainty regarding the going concern assumption.

The quarterly consolidated financial statements are prepared based on the assumption of a going concern and do not reflect the impact of such a material uncertainty regarding the going concern assumption.

(Notes to Remarkable Changes in the amount of Shareholders' Equity)

: None

(Segment Information, etc.)

Ⅰ The previous first half (From April 1, 2016 to September 30, 2016)

ⅰ)Information concerning the Amount of Net Sales and Operating Income (loss) by Segment

(In Millions of Yen)

	Segments					Elimination or Group (note 1)	Consolidated (note 2)
	SE	HS	ES	ERD	Total		
Sales:							
Sales to customers	11,972	3,319	489	7,870	23,651	-	23,651
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	11,972	3,319	489	7,870	23,651	-	23,651
Operating income (loss)	385	513	30	577	1,506	(1,402)	103

(note 1)

Negative ¥1,402 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 quarterly consolidated statements of income.

Ⅱ The first half (From April 1, 2017 to September 30, 2017)

ⅰ) Information concerning the Amount of Net Sales and Operating Income (loss) by Segment

(In Millions of Yen)

	Segments					Elimination or Group (note 1)	Consolidated (note 2)
	SE	HS	ES	ERD	Total		
Sales:							
Sales to customers	8,716	4,611	685	10,149	24,162	-	24,162
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	8,716	4,611	685	10,149	24,162	-	24,162
Operating income (loss)	937	749	98	(57)	1,728	(1,590)	138

(note 1)

Negative ¥1,590 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 quarterly consolidated statements of income.

3. Others

(Notes to the Assumption of a Going Concern)

While the Group incurred 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, it achieved operating income, ordinary income, and profit attributable to owners of parent during the previous fiscal year and, in the first half under review as well, the Group proceeded steadily with the medium-term management plan by posting operating income of ¥138 million, ordinary loss of ¥29 million, and loss attributable to owners of parent of ¥155 million. However, the Group is still working toward achieving the targets in its medium-term business plan, and its interest-bearing debt is ¥13,652 million, which is high compared with its liquidity on hand. Accordingly, the Group 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 the business foundation to achieve sustainable growth. The Company is thus 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 ES Division, and further improving efficiency of the Environmental Resources Development Division.

ii) Strengthening the business base through thorough streamlining

During the previous fiscal year, the Company disposed of assets in accordance with the downsizing of the SE Division (store mergers and closures, reduction of production, logistics and procurement downsizing, and the closure of a logistics center, etc.). The number of employees has reached the level initially planned as a result of voluntary retirement that was encouraged in order to reduce the workforce to an appropriate level for the sales volume in the medium-term business plan. In addition, the salaries of all employees have been reduced.

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.

In the previous fiscal year, we finished implementing most of the management streamlining measures such as the reduction of employees, store mergers and closures, and production and logistics downsizing, resulting in increased profitability that has enabled the business to remain in the black. Now, in the fiscal year under review, which is the second year of the medium-term business plan, we have established the Headquarters Overseeing SE, HS and ES in order to further solidify the business foundation, as well as cross-organizational functions to facilitate effective operation and efficient installations through the cooperation of the three segments while also transferring some of the personnel from the SE Division to the HS and ES Divisions. With regard to funding, we are steadily implementing the medium-term business plan, which was developed based on the assumption of the continued support of the main financing bank. We expect to continue to receive support and cooperation with regard to financing and will work to stabilize our cash management.

While we are steadily implementing the measures above, we are still in the process of making progress in the medium-term management plan. In addition, the main financing bank, while indicating its understanding, has not guaranteed its support and cooperation. As a result, the Company recognizes that at present, there is material uncertainty regarding the going concern assumption.

4. Supplemental Information

Consolidated Net Sales by Division

(In Millions of Yen)

	From April 1 to September 30		Changes
	FY2016	**FY2017**	
Commercial PV system	11,010	**7,992**	(3,018)
Wholesale of PV components	900	**576**	(324)
Others	61	**147**	85
Solar Engineering Division Total	11,972	**8,716**	(3,256)
Termite Eradication Service	1,211	**1,364**	152
Under-Floor/Roof Ventilation System	486	**635**	149
Foundation Repairing/Home Reinforcement System	287	**911**	624
Others	1,333	**1,699**	365
Home Sanitation Division Total	3,319	**4,611**	1,292
Anti-rust equipment installation	35	**240**	205
Repair of building water-woks	153	**188**	35
Water proofing of building	92	**66**	(26)
Others	207	**188**	(18)
Establishment Sanitation Division Total	489	**685**	195
Plastic fuel	3,449	**3,672**	222
Generation of electricity	2,789	**4,878**	2,088
Industrial waste (Organic Waste Water Recycle)	858	**889**	31
Final disposal	382	**359**	(23)
Others	389	**349**	(39)
Environmental Resources Development Division Total :	7,870	**10,149**	2,279
Total Net Sales	23,651	**24,162**	510