



SANIX INCORPORATED

Consolidated Financial Statements
For the First quarter ended June 30, 2013

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 quarter ended June 30, 2012

SANIX INCORPORATED

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

1. Consolidated Financial Highlights for the first quarter ended June 30, 2013

(1) Consolidated Operating Results

(Millions of Yen)

	First Quarter			
	From April 1 to June 30			
	FY2013	%change	FY2012	%change
Net Sales	16,027	81.7%	8,822	17.6%
Operating Income	1,056	-	(115)	-
Ordinary Income	1,015	-	(115)	-
Net Income	830	-	(170)	-
Net Income per Share (¥)	¥17.40	-	(¥3.58)	-
Net Income per Share(, Diluted(¥)	-	-	-	-
(Reference) Comprehensive Income	827	-	(170)	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of June 30	As of March 31
	FY2013	FY2012
	Total Assets	33,756
Net Assets	9,664	8,837
Shareholders' Equity Ratio (%)	28.5%	30.2%
Net assets per share(¥)	¥201.98	¥184.62
Reference	Shareholders' equity as of June 30 2013	9,636 million yen
	Shareholders' equity as of March 31 2013	8,808 million yen

2. Dividends

	At the end of				
	1st	2nd	3rd	4th	Annual
	Quarter	Quarter	Quarter	Quarter	
(Dividends per Share)					
FY2012 ended March 31, 2012.	-	0.00	-	0.00	0.00
FY2013 ending March 31, 2013(forecast)	-	0.00	-	0.00	0.00

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31,2014)

	FY2013			
	First Half	%change	Full Year	%change
Net Sales.....	34,100	87.5%	71,500	64.9%
Operating Income.....	2,825	438.8%	8,000	327.7%
Ordinary Income.....	2,800	450.4%	7,950	344.4%
Net Income.....	1,680	342.9%	5,100	223.8%
Net Income per Share (¥).....	¥35.21	-	¥106.90	-

There is no change from initial projections for semi-annual and annual operational results publicly announced on May 14, 2013.

4. Others

(1) Changes in significant subsidiaries during the period: None

(Note) Indicates changes in specified subsidiaries resulting in the change in consolidation scope during the first quarter ended June 30, 2012.

(2) Adoption of special quarterly accounting methods: None

(Note) Indicates adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements

(3) Changes in accounting principles, accounting estimates and correction of prior errors

i)Changes in accounting principles due to revisions to accounting standards: None

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 Quarter	Full Year
	Ended June 30,2013	Ended March 31,2012
Number of shares issued and outstanding at period end.....	48,919,396	48,919,396
Number of treasury stocks at period end.....	1,210,533	1,210,375
Average number of shares issued and outstanding during the fiscal term.....	47,708,927	47,709,362

*Implementation status about the quarterly review:

This summary of financial statements is exempt from quarterly review procedure required by Financial Instruments and Exchange Act. A part of quarterly review for securities report based on Financial Instruments and Exchange Act have not finished at the time of disclosure of this summary of financial statements.

*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, 2013

(1) Qualitative Information of Consolidated Operation Results

In the first quarter of the fiscal year ending March 31, 2014, the Japanese economy recovered moderately on the back of heightened expectations regarding governmental economic policy and the effect of already-adopted financial measures coupled with a rise in stock prices and the yen's depreciation, as well as signs of a turnaround in corporate earnings and personal consumption. On the other hand, the outlook for global economy remained obscure with slowing growth in emerging countries economies and the continuing to stagnate.

Under such circumstances, our group have concentrated our business resources on commercial solar power system which is expected to become a huge market encouraged by the government's active promotion for the use of green energy, including the "Renewable Energy Feed in Tariff Purchasing Program" started in July 2012, while stimulating demand for it. As a result, we have determined to consider that commercial solar power system and electricity sales recycling waste plastic to be used as fuel are the two important pillars of our group.

The Net Sales of the Commercial PV Solution(CPS) Division in the first quarter of this fiscal year recorded significant increase with the "commercial solar power system" contributing to the sales, the construction of which started in full scale during the fourth quarter of this fiscal year. The HS (Home Sanitation) Division recorded a revenue decrease in sales of "residential solar power system" due to the personnel cut and shift to the CPS Division. The ES (Establishment Sanitation) Division recorded a revenue growth in the commercial solar power systems for buildings and condominiums contributing to the result. In the Environmental Resources Development (ERD) Division, the revenues from plastic fuel increased and those from the electricity sales also increased because TOMAKOMAI Power Plant continued to be in stable operation. As a consequence, the Net Sales of the entire group were 16,027 million yen, or up 81.7% from a year earlier.

In terms of profitability, the CPS Division turned profitable and became a important pillar mainly due to the revenue growth of commercial solar power system. In the HS Division, although the significant decrease of revenue from the sales of "residential solar power system", recorded significant increase in profit due to the increase in sales of existing products with good net sales raw material ratio such as "termite control" and "sub-floor/roof ventilation system". The ERD Division recorded profit increase due to revenue growth of all products in this division.

As a consequence, for the whole group, the operating income increased to 1,056 million yen compared to the loss of 115 million yen in the same period of a prior year, and the ordinary income was 1,015 million yen(loss of 115 million yen in the same period of a prior year), with the net income increasing to 830 million yen from loss of 170 million yen of net income in the year earlier period.

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

Earnings of Individual Divisions:

Commercial Photovoltaic Solution (CPS) Division

In this quarter, the sales of commercial solar power system started to contribute fully to the overall revenues from the 4th quarter of the last fiscal year recorded 5,969 million yen, and the wholesales of commercial solar power

modules and other components increased to 387.7%. As a result, the sales increased 7,729 million yen compared to the loss of 360 million yen in the same period of a prior year.

The operating income was 645 million yen compared to the loss of 38 million yen in the same period of a year earlier, absorbing advertising costs for newspaper ads and others.

Home Sanitation (HS) Division

The sales of the existing products such as “termite control” and “sub-floor/roof ventilation system,” increased 53.2% compared to last year, the revenues of residential solar power system, on the other hand, decreased 79.6% compared to last year with the personnel shift to the CPS Division. As a result, the net sales of the division decreased 24.8% to 3,114 million yen compared to the year-earlier period.

The operating income increased 276.7% to 601 million yen compared to the same period of a year earlier, due to the increase in sales of existing products with better net sales raw material ratio.

Establishment Sanitation (ES) Division

The sales of works on buildings and condominiums related to maintenance and management run on same level compared to the year earlier period. The sales of solar power system increased 402.6% compared to the year earlier period after reinforcing the sales activities for corporate customers and the construction structure. As a result, the net sales increased 65.4% to 1,196 million yen compared to last year.

The operating income increased 175.2% to 31 million yen compared to a year earlier, due to increase in sales.

Environmental Resources Development (ERD) Division

The sales from plastic fuel increased in terms of volume, resulting in 13.6% increase compared to the year-earlier period. The revenues from electricity sales showed an increase of 8.6% compared to a year earlier, due to the start of stable power generation at SANIX Energy’s TOMAKOMAI Power Plant. In addition, organic waste-water processing recorded 7.1% increase from last year due to increased in terms of volume. As a result, the net sales increased 10.8% to 3,986 million yen compared to the year earlier period.

The operating income increased 49.2% to 439 million yen, along with the division turning profitable due to increase in sales of all domain and enhancement of profitability as a result of cost reduction.

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 33,756 million yen at the end of the first quarter of this consolidated fiscal year, an increase of 4,560 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in Notes and accounts receivable-trade and Raw materials and supplies. Consequently, the ratio of owners’ equity was 28.5% compared to 30.2% in the same period of a year earlier.

Liabilities amounted to 24,091 million yen, an increase of 3,732 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in Notes and accounts payable-trade and Short-term loans payable.

Net assets totaled 9,664 million yen, an increase of 827 million yen from the end of the previous consolidated fiscal year. This was primarily due to the net profit of 830 million yen incurred during the quarter.

(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 2014, the SANIX Group announced on May 14, 2013.

2. Other Information

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): None
- (2) Adoption of special quarterly accounting methods : None
- (3) Changes in accounting principles, procedures and presentation methods: None

3. Consolidated Financial Statements for the first quarter ended June 30, 2012

(1) Consolidated Quarterly Balance Sheets

(thousands of Yen)

	As of March 31 FY2012	As of June 30 FY2012
Assets:		
Current Assets:		
Cash and deposits	3,559,160	3,556,666
Notes and accounts receivable-trade	7,356,616	8,785,969
Merchandise and finished goods	60,036	82,735
Work in process-construction	260,009	113,371
Raw materials and supplies	2,577,620	5,451,392
Other	980,185	821,536
Allowance for doubtful accounts	(142,104)	(154,314)
Total Current Assets:	14,651,525	18,657,356
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	1,890,399	1,869,891
Machinery, equipment and vehicles, net	557,997	565,437
Land	8,889,529	8,889,529
Other, net	899,192	1,602,164
Total Property, Plant and Equipment:	12,326,117	12,927,021
Intangible Fixed Assets:		
Goodwill	625,370	597,368
Other, net	60,123	59,258
Total Property, Plant and Equipment:	685,493	656,627
Investments and Other Assets	1,533,173	1,515,329
Total Fixed Assets:	14,544,785	15,098,977
Total Assets:	29,196,310	33,756,334

(thousands of Yen)

	As of March 31 FY2012	As of June 30 FY2013
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	5,459,789	7,399,383
Short-term loans payable	3,338,000	4,392,000
Accounts payable-other	3,166,433	3,541,320
Lease obligations	362,883	392,780
Provision	83,018	31,095
Other	2,462,943	2,738,184
Total Current Liabilities:	14,873,068	18,494,765
Non-Current Liabilities:		
Bonds payable	50,000	50,000
Long-term loans payable	2,819,551	2,899,952
Provision for retirement benefits	1,419,934	1,431,234
Provision for directors' retirement benefits	179,756	180,131
Provision for disposal site closing expenses	373,699	388,561
Other	643,103	646,958
Total Non-Current Liabilities:	5,486,044	5,596,838
Total Liabilities:	20,359,113	24,091,603
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Retained earnings	(3,733,267)	(2,902,946)
Treasury stock	(1,610,889)	(1,611,018)
Total Shareholders' Equity:	8,697,677	9,527,870
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	78,147	74,590
Foreign currency translation adjustment	32,356	33,594
Total Valuation and translation adjustments:	110,503	108,185
Minority Interests:	29,016	28,675
Total Net Assets:	8,837,197	9,664,730
Total Liabilities and Net Assets:	29,196,310	33,756,334

(2) Consolidated Quarterly Statement of Income

(thousands of Yen)

	First Quarter	
	From April 1 to June 30	
	FY2012	FY2013
Net sales	8,822,722	16,027,570
Cost of sales	6,268,556	11,305,599
Gross profit	2,554,166	4,721,970
Selling, general and administrative expenses	2,669,741	3,665,591
Operating income (loss)	(115,575)	1,056,378
Non-operating income:		
Interest income	1,406	1,298
Dividends income	8,676	4,628
Land and house rent revenue	17,017	18,760
Other	15,333	18,628
Total non-operating income	42,433	43,315
Non-operating expenses:		
Interest expenses	41,895	42,557
Commision paid	17	18,861
Foreign exchange losses	-	22,218
Other	753	616
Total non-operating expenses	42,666	84,255
Ordinary income (loss)	(115,808)	1,015,439
Extraordinary loss:		
Loss on retirement of fixed assets	503	-
Total extraordinary loss	503	-
Income (loss) before income taxes and minority interests	(116,312)	1,015,439
Income taxes-current	51,664	188,382
Income taxes-deferred	3,059	(2,923)
Total income taxes	54,723	185,459
Income before minority interests	(171,036)	829,980
Minority interests in income	(419)	(340)
Net income (loss)	(170,617)	830,320

(Comprehensive Income)

(thousands of Yen)

	First Quarter	
	from April 1 to March 31	
	FY2012	FY2013
Income before minority interests	(171,036)	829,980
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	833	(3,557)
Foreign currency translation adjustment	—	1,238
Total other comprehensive income	833	(2,318)
Comprehensive income	(170,203)	827,661
Comprehensive income attributable to		
Comprehensive income attributable to parent company	(169,784)	828,002
Comprehensive income attributable to minority interests	(419)	(340)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern) None

(Notes to remarkable changes in Shareholders' Equity) None

(Segment Information)

I. Prior First Quarter (From April 1, 2012 to June 30, 2012)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	360,859	4,140,839	723,326	3,597,698	8,822,722	—	8,822,722
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	360,859	4,140,839	723,326	3,597,698	8,822,722	—	8,822,722
Operating income(loss)	(38,418)	159,565	11,468	294,409	427,026	(542,601)	(115,575)

(note 1) Negative 542,601 thousand yen for adjustments of Operating income(loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income(loss) is adjusted to operating loss of Consolidated quarterly statements of income.

II. This First Quarter (From April 1, 2013 to June 30, 2013)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note1)	Consolidated (note2)
Sales:							
Sales to customers	7,729,743	3,114,760	1,196,598	3,986,467	16,027,570	—	16,027,570
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	7,729,743	3,114,760	1,196,598	3,986,467	16,027,570	—	16,027,570
Operating income(loss)	645,238	601,158	31,560	439,320	1,717,276	(660,897)	1,056,378

(note 1) Negative 660,897 thousand yen for adjustments of Operating income(loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income(loss) is adjusted to operating income of Consolidated quarterly statements of income.

4. Supplemental Information

Consolidated Net Sales by Segment

(Thousands of Yen)

	First quarter		Changes
	from April 1 to June 30		
	FY2012	FY2013	
Commercial photovoltaic power generation system	-	5,969,715	5,969,715
Wholesale of photovoltaic system components	360,859	1,760,027	1,399,168
Commercial Photovoltaic Solution Total:	360,859	7,729,743	7,368,884
Solar photovoltaic power generation system	2,430,759	494,938	(1,935,820)
Termite Eradication Service	703,717	1,027,940	324,222
Under-Roof/Floor Ventilation System	271,020	462,079	191,058
Foundation Repairing/Home Reinforcement System	186,385	290,151	103,766
Other	548,956	839,651	290,694
Home Sanitation Division Total:	4,140,839	3,114,760	(1,026,078)
Anti-rust equipment installation	119,319	599,707	480,388
Repair of building water-works	149,719	133,101	(16,618)
Waterproofing of building	211,224	261,159	49,935
Solar photovoltaic power generation system	74,128	59,131	(14,997)
Other	168,934	143,499	(25,435)
Establishment Sanitation Division Total:	723,326	1,196,598	473,272
Plastic fuel	2,137,029	2,427,773	290,743
Industrial waste (Organic Waste Water Recycle)	752,778	817,497	64,718
Generation of electricity	412,303	441,670	29,367
Final disposal	151,442	154,018	2,575
Other	144,144	145,507	1,363
Environmental Resources Development Division Total:	3,597,698	3,986,467	388,769
Total Net Sales:	8,822,722	16,027,570	7,204,847