



SANIX INCORPORATED

Consolidated Financial Statements
For the First Half September 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 Half ended September 30, 2013

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 half ended September 30, 2013

(1) Consolidated Operating Results

(Millions of Yen)

	First Half			
	From April 1 to September 30			
	FY2013	%change	FY2012	%change
Net Sales	31,692	74.3%	18,184	17.7%
Operating Income	1,495	185.3%	524	96.6%
Ordinary Income	1,443	183.7%	508	114.5%
Net Income	1,051	177.4%	379	-
Net Income per Share (¥)	¥22.05	-	¥7.95	-
Net Income per Share(, Diluted)(¥)	-	-	-	-
(Reference) Comprehensive Income	1,053	189.0%	364	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of September 30		As of March 31
	FY2013		FY2012
	Total Assets	33,664	29,196
Net Assets	9,894	8,837	
Shareholders' Equity Ratio (%)	29.3%	30.2%	
Net assets per share(¥)	¥206.73	¥184.62	
Reference	Shareholders' equity as of September 30 2013	9,863 million yen	
	Shareholders' equity as of March 31 2013	8,808 million yen	

2. Dividends

	At the end of				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
(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)

(Millions of Yen)

	FY2013	
	Full Year	%change
Net Sales.....	71,500	64.9%
Operating Income.....	8,000	327.7%
Ordinary Income.....	7,950	344.4%
Net Income	5,100	223.8%
Net Income per Share (¥).....	¥106.90	-

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

4. Others

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

(2) Adoption of special quarterly accounting methods: None

(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 Half	Full Year
	Ended September 30,2013	Ended March 31,2012
Number of shared issued and outstanding at period end	48,919,396	48,919,396
Number of treasury stocks at period end	1,207,973	1,210,375
Average number of shares issued and outstanding during the fiscal term.....	47,709,228	47,709,298

*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 half ended September 30, 2013

(1) Qualitative Information of Consolidated Operation Results

In the first half 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 half 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 31,692 million yen, or up 74.3% 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". As a consequence, for the whole group, the operating income increased to 1,495 million yen up 185.3% for the same period of a prior year, and the ordinary income was 1,443 million yen(183.7% for the same period of prior year), with the net income increasing to 1,051 million yen (177.4% for the same period of prior year)..

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

Earnings of Individual Divisions:

Commercial Photovoltaic Solution (CPS) Division

In this first half, 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 11,758 million yen, and the wholesales of commercial solar power modules and other components increased to 3,397 million yen for 278.8% for the same period of prior year. As a result, the sales increased to 15,155 million yen compared to 896 million yen in the same period of a prior year.

The operating income was 953 million yen compared to the loss of 179million yen in the same period of a year earlier, absorbing advertising costs for newspaper ads and labor cost and others.

Home Sanitation (HS) Division

The sales of the existing products such as “termite control” and “sub-floor/roof ventilation system,” increased 59.4% compared to last year, the revenues of residential solar power system, on the other hand ,decreased 83.3% compared to last year with the personnel shift to the CPS Division. As a result, the net sales of the division decreased 27.7% to 6,088 million yen compared to the year-earlier period.

The operating income increased 17.3% to 1,168 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 459.4% 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 79.0% to 2,600 million yen compared to last year.

The operating income increased 63.6% to 83 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 4.4% increase compared to the year-earlier period. The revenues from electricity sales showed a increase of 2.6% compared to a year earlier, due to the start of stable power generation at SANIX Energy’s TOMAKOMAI Power Plant even though it had a large-scale repairs in July 2013. In addition, organic waste-water processing recorded 16.4% increase from last year due to increased in terms of volume. As a result, the net sales increased 5.9% to 7,848 million yen compared to the year earlier period.

The operating income decreased 34.7% to 518 million yen, due to the burden of large-scale repair expense of the power plant which was not implemented on the same period of prior year.

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 33,664 million yen at the end of the first half of this consolidated fiscal year, increase of 4,468 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. Liabilities amounted to 23,770 million yen, an increase of 3,411 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 9,894 million yen, a increase of 1,056 million yen from the end of the previous consolidated fiscal year. This was primarily due to the net profit of 1,051 million yen incurred during this first half.

Consequently, the ratio of owners’ equity was 29.3% compared to 30.2% in the same period of a year earlier.

Cash Flows

Cash and cash equivalents as of September 30, 2013 totaled 2,631 million yen, a decrease of 916 million yen from as of March 31, 2012.

(Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 2,252 million yen, a decrease of 3,166 million yen from the same period last year. This was mainly due to an increase in notes and accounts receivable-trade of 2,094 million yen (up 1,528 millions yen year-on-year) and an increase in inventory asset of 2,533 million yen (up 2,676 millions yen year-on-year), despite the recording of net income before income taxes increased from the same period last year.

(Cash Flows from Investing Activities)

Net cash used for investing activities totaled 699 million yen, an increase of 610 million yen from the same period last year. This was mainly due to the payments for purchase of property, plant and equipment by 694 million yen.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to 2,085 million yen (increase of 2,504 million yen from the last year) mainly due to an increase in loans payable. This purchases of treasury due to payments for acquisition of treasury stocks caused by "Stock Benefit Trust (Employee Stockholding Association Purchase-type)".

(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

ADDITIONAL INFORMATION

(Stock Benefit Trust)

SANIX resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust"). The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase our corporate value.

The Trust's assets and liabilities, and income and expenses were included in the Group's consolidated financial statements. Since the Company's stock held by the Trust was accounted for as treasury stock in the consolidated financial statements. And as this first half, the book price of treasury stock is 130,900 thousand yen (number of treasury stock is 95,200), and carrying value of debt payable is 135,025 thousand yen.

3. Consolidated Financial Statements for the first half ended September 30, 2013

(1) Consolidated Quarterly Balance Sheets

(thousands of Yen)

	As of March 31 FY2012	As of September 30 FY2013
Assets:		
Current Assets:		
Cash and deposits	3,559,160	2,663,733
Notes and accounts receivable-trade	7,356,616	9,450,973
Merchandise and finished goods	60,036	110,601
Work in process-construction	260,009	522,592
Raw materials and supplies	2,577,620	4,798,162
Other	980,185	1,032,851
Allowance for doubtful accounts	(142,104)	(229,789)
Total Current Assets:	14,651,525	18,349,125
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	1,890,399	1,840,897
Machinery, equipment and vehicles, net	557,997	1,061,064
Land	8,889,529	8,889,529
Other, net	988,192	1,344,873
Total Property, Plant and Equipment:	12,326,117	13,136,364
Intangible Fixed Assets:		
Goodwill	625,370	569,367
Other, net	60,123	58,394
Total Property, Plant and Equipment:	685,493	627,761
Investments and Other Assets	1,533,173	1,551,579
Total Fixed Assets:	14,544,785	15,315,706
Total Assets:	29,196,310	33,664,831

(thousands of Yen)

	As of March 31 FY2012	As of September 30 FY2013
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	5,459,789	5,478,210
Short-term loans payable	3,338,000	5,544,634
Accounts payable-other	3,166,433	3,276,769
Lease obligations	362,883	487,239
Provision	83,018	270,689
Other	2,462,943	2,989,739
Total Current Liabilities:	14,873,068	18,047,282
Non-Current Liabilities:		
Bonds payable	50,000	40,000
Long-term loans payable	2,819,551	2,819,703
Provision for retirement benefits	1,419,934	1,443,965
Provision for directors' retirement benefits	179,756	180,506
Provision for disposal site closing expenses	373,699	405,087
Other	643,103	834,131
Total Non-Current Liabilities:	5,486,044	5,723,394
Total Liabilities:	20,359,113	23,770,676
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Capital surplus	-	4,419
Retained earnings	(3,733,267)	(2,681,277)
Treasury stock	(1,610,889)	(1,611,910)
Total Shareholders' Equity:	8,697,677	9,753,065
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	78,147	89,428
Foreign currency translation adjustment	32,356	20,672
Total Valuation and translation adjustments:	110,503	110,100
Minority Interests:	29,016	30,989
Total Net Assets:	8,837,197	9,894,154
Total Liabilities and Net Assets:	29,196,310	33,664,831

(2) Consolidated Quarterly Statement of Income

(thousands of Yen)

	First Half	
	From April 1 to September 30	
	FY2012	FY2013
Net sales	18,184,562	31,692,361
Cost of sales	12,338,285	22,689,226
Gross profit	5,846,277	9,003,134
Selling, general and administrative expenses	5,321,998	7,507,243
Operating income (loss)	524,278	1,495,890
Non-operating income:		
Interest income	3,051	3,840
Dividends income	8,676	4,628
Land and house rent revenue	34,045	37,520
Other	28,224	39,399
Total non-operating income	73,997	85,388
Non-operating expenses:		
Interest expenses	82,356	92,708
Commision paid	2,096	30,793
Other	5,131	14,650
Total non-operating expenses	89,584	138,151
Ordinary income (loss)	508,692	1,443,127
Extraordinary Income:		
Income on retirement of fixed assets	1,999	-
Total extraordinary Income	1,999	-
Extraordinary loss:		
Loss on retirement of fixed assets	523	-
Total extraordinary loss	523	-
Income (loss) before income taxes and minority interests	510,168	1,443,127
Income taxes-current	121,874	459,744
Income taxes-deferred	9,344	(70,578)
Total income taxes	131,218	389,165
Income before minority interests	378,949	1,053,962
Minority interests in income	(330)	1,973
Net income (loss)	379,280	1,051,989

(Comprehensive Income)

(thousands of Yen)

	First Half	
	from April 1 to September 30	
	FY2012	FY2013
Income before minority interests	378,949	1,053,962
Other comprehensive income		
valuation difference on available-for-sale securities	(4,188)	11,280
Foreign currency translation adjustment	(10,184)	(11,683)
Total other comprehensive income	(14,372)	(403)
Comprehensive income	364,577	1,053,559
Comprehensive income attributable to		
Comprehensive income attributable to parent company	364,907	1,051,586
Comprehensive income attributable to minority interests	(330)	1,973

(3) Consolidated Quarterly Statement of Cash Flows

	First Half	
	From April 1 to September 30	
	FY2012	FY2013
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes	510,168	1,443,127
Depreciation and amortization	185,378	224,648
Increase (Decrease) in provision for retirement benefits	14,361	24,031
Amortization of goodwill	56,003	56,003
Increase (Decrease) in allowance for doubtful accounts	(4,600)	97,333
Interest and dividends income	(11,727)	(8,468)
Interest expenses	82,356	92,708
Loss (gain) on sales of noncurrent assets	(1,999)	-
Loss on retirement of noncurrent assets	523	-
Decrease (Increase) in notes and accounts receivable-trade	(565,586)	(2,094,356)
Decrease (increase) in inventories	143,293	(2,533,689)
Increase (decrease) in notes and accounts payable-trade	427,453	44,906
Other, net	252,824	911,120
Subtotal	1,088,447	(1,742,633)
Interest and dividends income received	11,296	6,902
Interest expenses paid	(80,236)	(92,109)
Income taxes paid	(128,260)	(426,316)
Income taxes refund	22,383	1,724
Net cash provided by operating activities:	913,630	(2,252,432)
Net Cash Provided by (Used in) Investing Activities:		
Increase in time deposits	-	(20,600)
Purchase of property, plant and equipment	(83,827)	(694,955)
Proceeds from sales of property, plant and equipment	5,233	15,105
Purchase of investment securities	(3,790)	(1,241)
Other	(6,261)	2,557
Net cash provided by (used in) investing activities:	(88,645)	(699,134)
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable	(175,100)	2,208,974
Proceeds from long-term loans payable	200,000	455,025
Repayment of long-term loans payable	(380,862)	(441,231)
Proceeds from sales of treasury stock	-	135,080
Purchase of treasury stock	-	(131,682)
Repayments of finance lease obligations	(51,131)	(100,109)
Other	(12,144)	(40,722)
Net cash provided by (used in) financing activities:	(419,238)	2,085,335
Effect of exchange rate change on cash and cash equivalents	(1,684)	(49,795)
Net increase (decrease) in cash and cash equivalents	404,062	(916,026)
Cash and cash equivalents at beginning of period	1,365,530	3,547,860
Increase in cash and cash equivalents from newly consolidated subsic	768	-
Cash and cash equivalents at the end of period	1,770,361	2,631,833

(4) Notes for this Consolidated Financial Statements

(Notes to going concern) None

(Notes to remarkable changes in Shareholders' Equity)

SANIX INC. transferred 98,200 of treasury stock to Trust & Custody Services Bank, Ltd. (trust account E) at 13TH September,2013, and also transferred 3,000 of treasury stock to the SANIX employee stockholding association from Trust & Custody Services Bank, Ltd. (trust account E) before 30TH September,2013. As the results, it increased 294 thousand yen of treasury stock, 4,419 thousand of yen of capital surplus, and decreased 7,820 thousand yen of retained earnings.

(Segment Information)

I. Prior First half (From April 1, 2012 to September 30, 2012)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	896,749	8,423,613	1,452,486	7,411,712	18,184,562	—	18,184,562
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	896,749	8,423,613	1,452,486	7,411,712	18,184,562	—	18,184,562
Operating income(loss)	(179,791)	996,314	51,040	792,986	1,660,550	(1,136,272)	524,278

(note 1) Negative 1,136,272 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 half (From April 1, 2013 to September 30, 2013)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note1)	Consolidated (note2)
Sales:							
Sales to customers	15,155,494	6,088,264	2,600,206	7,848,396	31,692,361	—	31,692,361
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	15,155,494	6,088,264	2,600,206	7,848,396	31,692,361	—	31,692,361
Operating income(loss)	953,487	1,168,736	83,505	518,191	2,723,921	(1,228,030)	1,495,890

(note 1) Negative 1,228,030 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.

(note) Since the commercial solar power business starts to contribute to the financial state from the 4TH quarter on last fiscal year(FY2012), SANIX INC. newly add the "Commercial Photovoltaic Solution (CPS) Division" in addition to the existing "Home Sanitation (HS) Division," "Establishment Sanitation (ES) Division" and "Environmental Resources Development (ERD) Division" as the four business divisions to be disclosed.

4. Supplemental Information

Consolidated Net Sales by Segment

(Thousands of Yen)

	First Half		Changes
	from April 1 to Septemebr 30		
	FY2012	FY2013	
Commercial photovoltaic power generation system	-	11,728,606	11,728,606
Wholesale of photovoltaic system components	896,749	3,397,202	2,500,453
Other	-	29,684	29,684
Commercial Photovoltaic Solution Total:	896,749	15,155,494	14,258,744
Solar photovoltaic power generation system	5,143,917	860,212	(4,283,704)
Termite Eradication Service	1,312,176	1,918,649	606,473
Under-Roof/Floor Ventilation System	551,344	932,182	380,837
Foundation Repairing/Home Reinforcement System	326,430	530,896	204,466
Other	1,089,744	1,846,322	756,577
Home Sanitation Division Total:	8,423,613	6,088,264	(2,335,349)
Anti-rust equipment installation	251,300	1,405,673	1,154,372
Repair of building water-works	330,840	313,364	(17,476)
Waterproofing of building	405,833	488,346	82,512
Solar photovoltaic power generation system	155,275	112,493	(42,782)
Other	309,235	280,328	(28,907)
Establishment Sanitation Division Total:	1,452,486	2,600,206	1,147,719
Plastic fuel	4,449,516	4,645,913	196,397
Industrial waste (Organic Waste Water Recycle)	1,519,343	1,559,432	40,088
Generation of electricity	787,257	916,213	128,956
Final disposal	342,445	312,899	(29,546)
Other	313,150	413,937	100,787
Environmental Resources Development Division Total:	7,411,712	7,848,396	436,683
Total Net Sales:	18,184,562	31,692,361	13,507,798