



SANIX INCORPORATED

Consolidated Financial Statements

For the First 3 Quarters

Ended December 31, 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 3 Quarters ended December 31, 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 3 Quarters ended December 31, 2013

(1) Consolidated Operating Results

(Millions of Yen)

	First 3 Quarters			
	From April 1 to December 31			
	FY2013	%change	FY2012	%change
Net Sales	51,532	88.1%	27,402	17.1%
Operating Income	2,421	-	166	(64.8%)
Ordinary Income	2,185	-	84	(80.3%)
Net Income	1,301	-	(125)	-
Net Income per Share (¥)	¥27.27	-	(¥2.64)	-
Net Income per Share(, Diluted(¥)	-	-	-	-
(Reference) Comprehensive Income	1,392	-	(102)	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of December 31		As of March 31
	FY2013		FY2012
	Total Assets	42,459	29,196
Net Assets	10,247	8,837	
Shareholders' Equity Ratio (%)	24.1%	30.2%	
Net assets per share(¥)	¥214.11	¥184.62	
Reference	Shareholders' equity as of September 30 2013	10,218 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	84,500	94.9%
Operating Income	6,300	236.8%
Ordinary Income	6,000	235.4%
Net Income	3,600	128.6%
Net Income per Share (¥)	¥75.44	-

SANIX INCORPORATED revised 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 3 Quarters	Full Year
	Ended December 31,2013	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	1,196,843	1,210,375
Average number of shares issued and outstanding during the fiscal term	47,711,006	47,709,272

*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 3 Quarters ended December 31, 2013

(1) Qualitative Information of Consolidated Operation Results

The Japanese economy in the current consolidated cumulative third quarter (from April 1, 2013 to December 31, 2013) steadily progressed with corporate performance improving and personal consumption recovering due to a weaker yen and higher stock prices in response to financial and monetary policies by the government. On the other hand, unstable factors such as risk of downward swings in emerging economies persisted.

Under such a business environment, our Company Group concentrated its business resources on the commercial solar power system, which has rapidly expanded under a “Renewable Energy Feed in Tariff Purchasing Program”, which started in July 2012 and has widely stimulated demand. By rapidly expanding this business, we have positioned ourselves to move forward as an energy business, together with electricity sales, recycling waste plastic to be used as fuel, another pillar of our business.

As for net sales in the current consolidated cumulative third quarter, in the Commercial Photovoltaic Solution(CPS) segment, full-scale sales and installation of “commercial photovoltaic(PV) systems” started in the previous consolidated cumulative fourth fiscal quarter and “wholesale of photovoltaic components” recorded a significant income increase. On the other hand, the home sanitation(HS) business segment recorded a decrease in sales as a result of the large shift in personnel structure to the CPS. In the establishment sanitation(ES) business segment, “photovoltaic systems” for operators of buildings or condominiums, etc., recorded a sales increase. And In the environmental resource development(ERD) business segment, all “waste plastic recycle”, “power generation” of the TOMAKOMAI Power Plant and “organic waste water recycle” recorded a sales increase. As a result, net sales of the entire Group were ¥51,532 million (an increase of 88.1% as compared with the same period in the previous year).

As for income, in the CPS segment, as a result of a large increase in installation sales and wholesale transactions of photovoltaic systems, income increased significantly. As a result, with regard to profit of the entire Group, operating income was ¥2,421 million (¥166 million in the same period in the previous year), ordinary income was ¥2,185 million (¥84 million in the same period in the previous year) and net income was ¥1,301 million (net loss of ¥125 million in the same period in the previous year).

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

Commercial Photovoltaic solution (CPS) Division

Net sales of “commercial photovoltaic systems,” which includes transactions from sales to components procurement and installation, were ¥22,308 million (¥443 million in the same period in the previous year) and “wholesale of PV components” related to components such as solar power modules, etc., were ¥4,809 million (an increase of 164.9% as compared with the same period in the previous year). As a result, net sales were ¥27,117 million yen (¥2,259 million in the same period in the previous year).

Operating income reflected cost increases in advertisement expenses, personnel expenses due to manpower buildup and logistics improvement expenses, etc., and operating income recorded ¥1,958 million (operating loss of ¥587 million in the same period in the previous year).

Home Sanitation (HS) Division

In connection with shift of personnel from the HS to the CPS, net sales of the HS decreased, in particular, net sales of PV systems for household decreased 83.9% as compared with the same period in the previous year. As a result, net sales were ¥8,448 million(a decrease of 28.3% as compared with the same period in the previous year).

Operating income did not achieve an improvement in profit ratio due to a decrease in net sales which caused an increase in fixed cost ratio, including selling and general administrative expenses, and operating income was ¥1,095 million(a decrease of 27.8% as compared with the same period in the previous year).

Establishment Sanitation (ES) Division

The sales of works on buildings and condominiums related to maintenance or management leveled off as compared with the same period in the previous year and sales of PV systems which we have promoted in the KANTO Region recorded an increase of 315.8% as compared with the same period in the previous year. As a result, net sales were ¥3,913 million (an increase of 72.2% as compared with the same period in the previous year).

Due to the effect of revenue increase, operating income was ¥108 million(an increase of 119.1% as compared with the same period in the previous year).

Environmental Resources Development (ERD) Division

“Waste plastics recycle” increased 4.9% as compared with the same period in the previous year due to an increase in acceptance volume of waste plastics, and “Power generation” increased 6.6% as compared with the same period in the previous year as a result of stable operation of the TOMAKOMAI Power Plant. The “Organic waste water recycle” increased 17.6% as compared with the same period in the previous year due to an increase in acceptance volume of organic waste water. As a result, net sales were ¥12,053 million(an increase of 8.8% as compared with the same period in the previous year).

Operating income was ¥1,087 million(an increase of 17.2% as compared with the same period in the previous year) due to the effect of a revenue increase in all items on sale.

(2) Qualitative Information of Consolidated Financial Position

Total assets at the end of the current consolidated cumulative third quarter were ¥42,459 million, an increase of ¥13,263 million as compared with the end of the previous consolidated fiscal year. Major factors were an increase in notes receivable ,accounts receivable and raw materials and supplies. Total liabilities were ¥32,211 million, an increase of 11,852 million as compared with the end of the previous consolidated fiscal year. Major factors were an increase in notes payable and accounts payable and short-term loans payable. Total net assets were ¥10,247 million, an increase of ¥1,410 million as compared with the end of the previous consolidated fiscal year. A major factor was the recording of net income of ¥1,301 million yen.

As a result, the ratio of owners' equity was 24.1% at the end of the current consolidated cumulative third quarter as compared with 30.2% at the end of the previous consolidated fiscal year.

(3) Qualitative Information on the Forecast of Consolidated Business Results

As a result of a review of business results in the current consolidated cumulative third quarter and the forecast for future business results, figures in the forecast for the full-year consolidated business results for the year ending March 31, 2014, which were published on May 14, 2013, were revised.

Forecast for net sales was revised upward as we can expect an increase in the number of project start-ups and completion of installation in the current fourth quarter (from January 1, 2014 to March 31, 2014) in response to an increase in orders received for installation and wholesale transactions in the CPS division and an increase in installation capacity by an increase in the number of personnel.

As for operating income, net sales will be revised upward, but as we expected a large increase in fixed costs, including expenses for a large-scale manpower buildup of technicians to respond to an increase in orders received for “commercial photovoltaic systems” since the summer in 2013 and expenses for an expansion of logistics systems from large orders received for materials, etc., it was revised downward. Ordinary income was also revised downward in addition to the reasons for the downward revision of operating income, and we expect currency exchange losses due to the impact of a weaker yen on procurement of photovoltaic modules. As a result, current net income will be ¥3,600 million.

Forecast for Figures of a Full-Year Consolidated Business Results in the Year Ending March 31, 2014

(from April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Forecasts for the previous announcement (A)	71,500	8,000	7,950	5,100	¥106.90
This revised forecasts (B)	84,500	6,300	6,000	3,600	¥75.44
Amount of increase or decrease (B-A)	13,000	(1,700)	(1,950)	(1,500)	---
Increase or decrease ratio (%)	18.2	(21.3)	(24.5)	(29.4)	---
(Reference) Business results in the previous year (Year ended March 31, 2013)	43,366	1,870	1,788	1,575	¥33.01

(reference) Changes in number of employees(consolidated)

The end of March 2013	: 1,844	
The end of June:	: 1,905	
The end of September	: 2,180	
The end of December:	: 2,831	(number of person)

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 end of this First 3 Quarters, the book price of treasury stock is 115,637 thousand yen(number of treasury stock is 84,100), and carrying value of debt payable is 124,164 thousand yen.

3. Consolidated Financial Statements for the First 3 Quarters ended December 31, 2013

(1) Consolidated Quarterly Balance Sheets

(thousands of Yen)

	As of March 31 FY2012	As of December 31 FY2013
Assets:		
Current Assets:		
Cash and deposits	3,559,160	6,219,012
Notes and accounts receivable-trade	7,356,616	12,984,510
Merchandise and finished goods	60,036	143,689
Work in process-construction	260,009	976,086
Raw materials and supplies	2,577,620	4,720,456
Other	980,185	1,547,779
Allowance for doubtful accounts	(142,104)	(368,077)
Total Current Assets:	14,651,525	26,223,458
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	1,890,399	1,926,256
Machinery, equipment and vehicles, net	557,997	1,305,659
Land	8,889,529	9,210,631
Other, net	988,192	1,618,253
Total Property, Plant and Equipment:	12,326,117	14,060,800
Intangible Fixed Assets:		
Goodwill	625,370	541,365
Other, net	60,123	57,717
Total Property, Plant and Equipment:	685,493	599,082
Investments and Other Assets	1,533,173	1,576,009
Total Fixed Assets:	14,544,785	16,235,893
Total Assets:	29,196,310	42,459,351
	As of March 31 FY2012	As of December 31 FY2013
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	5,459,789	9,882,930
Short-term loans payable	3,338,000	5,960,441
Accounts payable-other	3,166,433	4,273,664
Lease obligations	362,883	830,131
Provision	83,018	44,304
Other	2,462,943	4,522,879
Total Current Liabilities:	14,873,068	25,514,352
Non-Current Liabilities:		
Bonds payable	50,000	40,000
Long-term loans payable	2,819,551	3,560,626
Provision for retirement benefits	1,419,934	1,461,505
Provision for directors' retirement benefits	179,756	180,881
Provision for disposal site closing expenses	373,699	411,787
Other	643,103	1,042,269
Total Non-Current Liabilities:	5,486,044	6,697,070
Total Liabilities:	20,359,113	32,211,423

(thousands of Yen)

	As of March 31 FY2012	As of December 31 FY2013
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Capital surplus	-	4,413
Retained earnings	(3,733,267)	(2,432,161)
Treasury stock	(1,610,889)	(1,596,594)
Total Shareholders' Equity:	<u>8,697,677</u>	<u>10,017,493</u>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	78,147	97,661
Foreign currency translation adjustment	32,356	102,854
Total Valuation and translation adjustments:	<u>110,503</u>	<u>200,516</u>
Minority Interests:	29,016	29,919
Total Net Assets:	<u>8,837,197</u>	<u>10,247,928</u>
Total Liabilities and Net Assets:	<u>29,196,310</u>	<u>42,459,351</u>

(2) Consolidated Quarterly Statement of Income

(thousands of Yen)

	First 3 Quarters	
	From April 1 to December 31	
	FY2012	FY2013
Net sales	27,402,194	51,532,946
Cost of sales	18,653,777	37,464,508
Gross profit	8,748,417	14,068,438
Selling, general and administrative expenses	8,582,261	11,647,169
Operating income (loss)	166,156	2,421,268
Non-operating income:		
Interest income	4,537	7,245
Dividends income	11,530	7,750
Land and house rent revenue	51,053	56,280
Other	34,775	56,016
Total non-operating income	101,897	127,293
Non-operating expenses:		
Interest expenses	123,447	139,708
Commision paid	-	35,492
Foreign exchange losses	46,073	172,732
Other	14,291	14,642
Total non-operating expenses	183,813	362,576
Ordinary income (loss)	84,240	2,185,985
Extraordinary Income:		
Income on retirement of fixed assets	2,899	-
Total extraordinary Income	2,899	-
Extraordinary loss:		
Loss on retirement of fixed assets	631	-
Impairment loss	18,657	-
Total extraordinary loss	19,289	-
Income (loss) before income taxes and minority interests	67,851	2,185,985
Income taxes-current	181,366	979,976
Income taxes-deferred	12,145	(96,000)
Total income taxes	193,512	883,976
Income before minority interests	(125,660)	1,302,009
Minority interests in income	78	903
Net income (loss)	(125,739)	1,301,106

(Comprehensive Income)

(thousands of Yen)

	First 3 Quarters	
	from April 1 to December 31	
	FY2012	FY2013
Income before minority interests	(125,660)	1,302,009
Other comprehensive income		
valuation difference on available-for-sale securities	2,437	19,514
Foreign currency translation adjustment	21,106	70,498
Total other comprehensive income	23,544	90,012
Comprehensive income	(102,116)	1,392,021
Comprehensive income attributable to		
Comprehensive income attributable to parent company	(102,195)	1,391,118
Comprehensive income attributable to minority interests	78	903

(3) 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 14,100 of treasury stock to the SANIX employee stockholding association from Trust & Custody Services Bank, Ltd. (trust account E) before 31ST December,2013. As the results, it decreased 14,968 thousand yen of treasury stock, increased 4,419 thousand of yen of capital surplus, and decreased 13,547 thousand yen of retained earnings.

(Segment Information)

I. Prior First 3 Quarters (From April 1, 2012 to December 31, 2012)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note 1)	Consolidated (note 2)
Sales:							
Sales to customers	2,259,009	11,789,234	2,271,788	11,082,162	27,402,194	-	27,402,194
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	2,259,009	11,789,234	2,271,788	11,082,162	27,402,194	-	27,402,194
Operating income(loss)	(587,767)	1,518,235	49,654	927,178	1,907,301	(1,741,144)	166,156

(note 1) Negative 1,741,144 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 3 Quarters (From April 1, 2013 to December 31, 2013)

(Thousands of Yen)

Segments	CPS	HS	ES	ERD	Total	Adjustment (note1)	Consolidated (note2)
Sales:							
Sales to customers	27,117,384	8,448,540	3,913,035	12,053,987	51,532,946	-	51,532,946
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	27,117,384	8,448,540	3,913,035	12,053,987	51,532,946	-	51,532,946
Operating income(loss)	1,958,372	1,095,719	108,800	1,087,064	4,249,957	(1,828,689)	2,421,268

(note 1) Negative 1,828,689 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.

(note) Due to significant increase of "commercial PV systems" sales, asset on CPS segment increase 12,081,288 thousand yen as compared with the end of the previous fiscal year.

4. Supplemental Information

Consolidated Net Sales by Segment

(Thousands of Yen)

	First 3 quarters		Changes
	from April 1 to Decemebr 31		
	FY2012	FY2013	
Commercial photovoltaic power generation system	443,274	22,259,254	21,815,979
Wholesale of photovoltaic system components	1,815,734	4,809,223	2,993,488
Other	-	48,906	48,906
Commercial Photovoltaic Solution Total:	2,259,009	27,117,384	24,858,375
Solar photovoltaic power generation system	6,707,813	1,081,779	(5,626,034)
Termite Eradication Service	1,966,882	2,524,900	558,017
Under-Roof/Floor Ventilation System	914,983	1,311,768	396,785
Foundation Repairing/Home Reinforcement System	546,839	747,920	201,081
Other	1,652,715	2,782,171	1,129,455
Home Sanitation Division Total:	11,789,234	8,448,540	(3,340,694)
Solar photovoltaic power generation system	547,384	2,275,811	1,728,427
Anti-rust equipment installation	485,661	395,545	(90,115)
Repair of building water-works	567,467	662,112	94,644
Waterproofing of building	228,211	168,419	(59,791)
Other	443,063	411,145	(31,917)
Establishment Sanitation Division Total:	2,271,788	3,913,035	1,641,246
Plastic fuel	6,637,588	6,963,440	325,852
Generation of electricity	2,325,456	2,478,321	152,864
Industrial waste (Organic Waste Water Recycle)	1,157,294	1,360,547	203,252
Final disposal	493,728	515,024	21,296
Other	468,094	736,652	268,558
Environmental Resources Development Division Total:	11,082,162	12,053,987	971,824
Total Net Sales:	27,402,194	51,532,946	24,130,751