

Consolidated Financial Statements

For the First Quarter ended June 30, 2010

SANIX INCORPORATED

August 6, 2010

(Note) Numbers are rounded off to the nearest whole number.

SANIX FOR SANITARY AMENITY

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Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

changes in economic environment in Japan and abroad, business condition in Japanese manufacturing industry, competition with other manufacturers, changing technology, regulatory environment, new legislation and any other factors which are beyond our control.

In addition, this presentation is not intended to solicit investment to securities issued by us. We assume no responsibility for any losses and liabilities that may be incurred because of information contained in this material.

Summary of 1st Quarter

Summary of 1st Quarter

In the current first quarter, both sales and income increased in comparison to the same period last year.

Net Sales	: 7,274 Million Yen (Up 986 million yen compared to the same period last year)
Operating Income	: 611 Million Yen (Up 544 million yen compared to the same period last year)
Ordinary Income	: 593 Million Yen (Up 515 million yen compared to the same period last year)
Net Income	: 440 Million Yen (Up 356 million yen compared to the same period last year)

◆ Net Sales ◆

In the HS Division, sales of existing products steadily increased, with solar photovoltaic power generation systems contributing to sales. The ES Division continued to concentrate on improving sales efficiency. Consequently, both divisions saw their sales increase from the same period last year.

In the Environment Resources Development (ERD) Division, revenue from the waste plastic processing business grew by 32.1%, due to increases in the number of customers and the volume of incoming waste plastic. Power sales rose by 14.1%, because Sanix Energy's Tomakomai Power Plant reduced the regular maintenance period compared to the previous year and signed a new contract with another purchaser under better conditions after terminating a wholesale contract with a previous purchaser. Revenue from organic liquid waste processing fell by 17.7%. However, the Division received added revenue from landfill operations (since the Group acquired a landfill site), which helped push up sales in the ERD division by 29.6%. As a result, the Sanix Group's sales increased by 15.7%.

◆ Earnings ◆

Incomes grew from the same period last year thanks to improved profitability due to a reduction of fixed costs in addition to increased sales.

1st Quarter : Statement of Income

(Millions of Yen)	FY2009		FY2010					
	1st Quarter		1st Quarter					
	Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
Net Sales	6,288	100.0%	7,274	100.0%	115.7%	7,438	97.8%	△ 163
HS	3,925	62.4%	4,403	60.5%	112.2%	4,595	95.8%	△ 191
ES	648	10.3%	649	8.9%	100.2%	628	103.3%	20
ERD	1,714	27.3%	2,221	30.6%	129.6%	2,214	100.3%	7
Cost of Sales	3,608	57.4%	4,157	57.1%	115.2%	4,359	95.4%	△ 202
Gross Profit	2,680	42.6%	3,117	42.9%	116.3%	3,078	101.3%	38
SG&A	2,613	41.6%	2,505	34.4%	95.9%	2,552	98.2%	△ 46
Operating Income	66	1.1%	611	8.4%	916.6%	526	116.1%	85
Ordinary Income	78	1.2%	593	8.2%	757.5%	506	117.1%	86
Net Income	84	1.3%	440	6.1%	522.8%	336	130.9%	103

■ In the HS Division, sales of solar photovoltaic power generation systems fell short of budget. However, the negative impact on income was minimal since the Group sets profit margins for the product lower than other products. As a whole, operating income increased compared to budget due to improved profitability. The Group posted an extraordinary loss of 114 million yen, because "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21) shall be applied from fiscal years beginning on or after April 1, 2010.

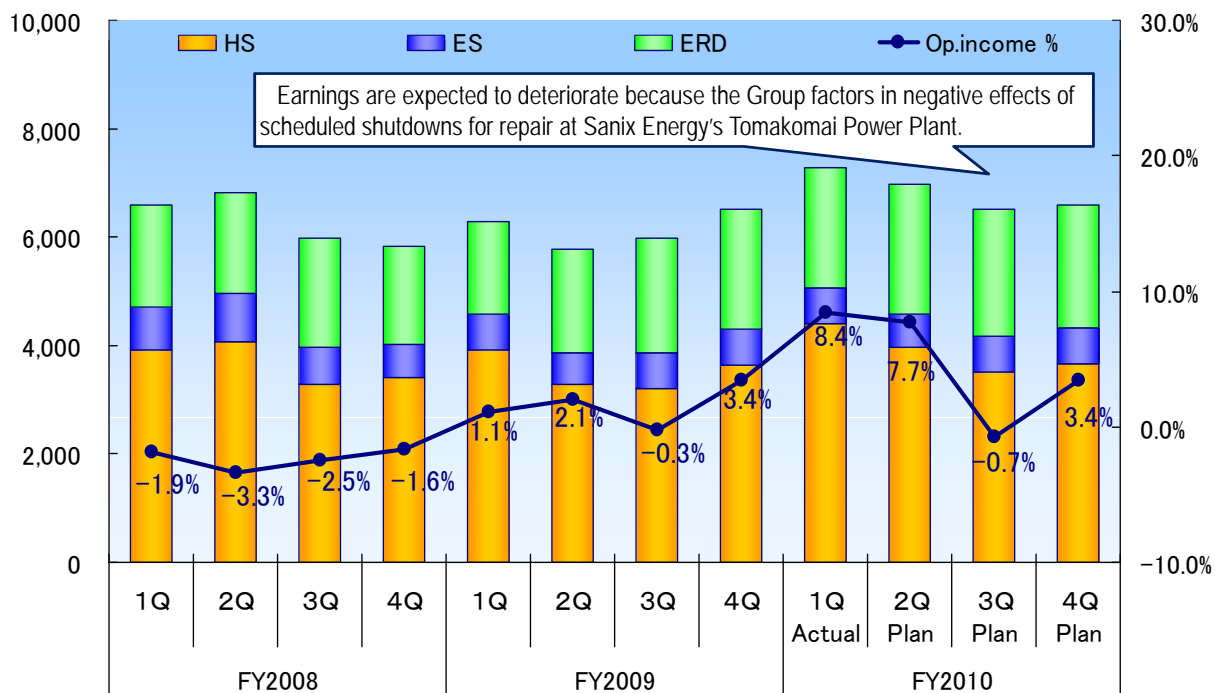
1st Quarter : Segment Information

(Millions of Yen)		FY 2009		FY 2010					
		1st Quarter		1st Quarter					
		Actual	% to last year	Actual	% to sales	% to last year	Projection	% of change	Difference
HS	Net Sales	3,925	100.5%	4,403	100.0%	112.2%	4,595	95.8%	△ 191
	Gross Profit	2,669	100.8%	2,674	60.7%	100.2%	2,496	107.1%	177
	SG&A	1,423	77.6%	1,388	31.5%	97.5%	1,403	98.9%	△ 15
	Op.Income	1,246	152.7%	1,285	29.2%	103.2%	1,093	117.6%	192
ES	Net Sales	648	81.9%	649	100.0%	100.2%	628	103.3%	20
	Gross Profit	273	88.9%	238	36.7%	87.2%	257	92.6%	△ 19
	SG&A	229	72.5%	182	28.1%	79.7%	195	93.3%	△ 13
	Op.Income	44	—	55	8.6%	126.4%	61	90.3%	△ 6
ERD	Net Sales	1,714	91.0%	2,221	100.0%	129.6%	2,214	100.3%	7
	Gross Profit	△ 263	—	204	9.2%	—	324	63.2%	△ 119
	SG&A	400	119.7%	383	17.3%	95.9%	371	103.3%	12
	Op.Income	△ 663	—	△ 179	—	—	△ 47	—	△ 131
Group	Op.Income	△ 560	—	△ 551	—	—	△ 581	—	30

1st Quarter : Segment Information (2)

Net Sales by Segment and Operating Income Margin

(Millions of Yen)



1st Quarter : HS Division

Operating income increased, although sales fell below budget after revising the sales plan. With the start of application acceptance for the central and local governments' subsidies for solar photovoltaic power generation systems being set at a later date than expected, the Group changed its sales plan to focus on sales of existing products. Particularly, sales of under-roof/floor ventilation systems whose prices were reduced increased solidly. Consequently, sales of existing products rose better than expected. With the steady growth of existing products with higher profit margins after revising the sales plan, sales in the HS Division grew compared to budget, resulting in operating income of 1,285 million yen, up 17.6% compared to budget.

(Millions of Yen)	FY 2009				FY 2010				
	1Q	2Q	3Q	4Q	1Q				
	Actual	Actual	Actual	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	3,925	3,286	3,197	3,646	4,403	112.2%	4,595	95.8%	△ 191
Termite Eradication Service	1,524	1,239	951	1,061	1,386	91.0%	1,567	88.5%	△ 181
Under-Floor/-Roof Ventiration System	832	773	675	715	942	113.3%	822	114.6%	120
Foundation Repairing Treatment	827	619	534	602	678	82.0%	577	117.5%	101
House Reinforcement System	112	80	79	121	128	113.9%	103	123.9%	24
Solar Power Generation System	—	—	489	597	471	—	963	49.0%	△ 491
Others	629	573	468	548	795	126.4%	560	141.9%	234
Operating Income	1,246	851	539	727	1,285	103.2%	1,093	117.6%	192

1st Quarter : ES Division

■ Lower earnings on higher sales due to a large order in the building waterproofing business

The ES Division continued to limit its sales area and conducted sales activities to management companies of held-for-rental and built-for-sale properties. Revenue from lucrative anti-rust equipment installations fell short of budget because referrals from property management companies decreased. However, the division's sales increased compared to budget due to a large order in the building waterproofing business. With revenue from the building waterproofing business with a high percentage of subcontracting costs growing over budget, operating income in the ES Division was 55 million yen, down 9.7% compared to budget.

(Millions of Yen)	FY 2009				FY 2010				
	1Q	2Q	3Q	4Q	1Q				
	Actual	Actual	Actual	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	648	580	662	656	649	100.2%	628	103.3%	20
Anti-rust Equipment Installation	190	154	151	198	119	62.6%	153	77.6%	△ 34
Repair of Building Water-works	201	186	262	218	202	100.3%	226	89.2%	△ 24
Waterproofing of Building	51	52	38	55	154	300.5%	49	315.0%	105
Others	205	186	210	183	173	84.7%	199	87.1%	△ 25
Operating Income	44	34	70	62	55	126.4%	61	90.3%	△ 6

1st Quarter : ERD Division

■ Sales increased from the same period last year. Losses became smaller, but recovery was weak.

Revenue from waste plastic processing and landfill operations grew steadily, but revenue from organic liquid waste processing did not reach budget due to a decline in the volume of wastewater from the restaurant industry and food plants. Revenue from the Sanix Energy's Tomakomai Power Plant failed to reach budget since operation days decreased compared to schedule, due to extension of the regular maintenance period. Operating income decreased over the budget due to a decrease in revenue and an increase in repair expenses associated with extension of the regular maintenance period at the Tomakomai Power Plant.

(Millions of Yen)	FY 2009				FY 2010				
	1Q	2Q	3Q	4Q	1Q				
	Actual	Actual	Actual	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	1,714	1,902	2,113	2,204	2,221	129.6%	2,214	100.3%	7
Waste Plastic Recycled	944	1,007	1,198	1,145	1,248	132.1%	1,164	107.2%	84
Organic Waste Water Recycled	409	372	353	338	337	82.3%	363	92.7%	△ 26
Power Generation	262	374	225	413	299	114.1%	358	83.5%	△ 58
Final Disposal	—	—	216	198	233	—	211	110.2%	21
Others	97	147	119	108	103	106.3%	116	89.0%	△ 12
Operating Income	△ 663	△ 273	△ 152	△ 22	△ 179	—	△ 47	—	△ 131

Forecast for FY2010

Mid-term Business Plan “Spring Plan 2012” (announced on April 22, 2010)

- Summary of the Business Strategy in the Mid-term Business Plan -

Concentrating our business resources in providing competitive services and goods to meet growing social needs regarding the environment.

Action

Completing establishing a business base by the final year of the mid-term plan for a full-fledged growth in the future.

(Millions of Yen)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
	Actual	Actual	Actual	Projection	Projection	Projection
Net Sales	26,510	25,233	24,539	27,500	27,850	28,700
H S	15,691	14,657	14,056	15,750	15,380	15,470
E S	3,340	2,976	2,547	2,570	2,610	2,650
ERD	7,478	7,600	7,934	9,180	9,860	10,580
Op. Income	596	(596)	390	1,240	1,520	2,000
Op. Income %	2.2%	-2.4%	1.6%	4.5%	5.5%	7.0%
H S	4,176	3,470	3,365	2,700	2,350	2,160
E S	(201)	(89)	211	240	270	290
ERD	(1,269)	(1,818)	(1,112)	350	940	1,580
Group	(2,109)	(2,159)	(2,073)	(2,050)	(2,040)	(2,030)
Ordinary Income	495	(620)	224	1,150	1,500	2,000

FY2010 : Statement of Income

*There is no change for business results forecast.

(Millions of Yen)	FY2010							
	First-Half				Full-Year			
	Projection	% to sales	% to last year	Difference	Projection	% to sales	% to last year	Difference
Net Sales	14,400	100.0%	119.4%	2,342	27,500	100.0%	112.1%	2,960
H S	8,554	59.4%	118.6%	1,341	15,750	57.3%	112.0%	1,693
E S	1,263	8.8%	102.8%	33	2,570	9.3%	100.9%	22
ERD	4,583	31.8%	126.7%	966	9,180	33.4%	115.7%	1,245
Cost of Sales	8,472	58.8%	123.0%	1,583	16,824	61.2%	115.1%	2,203
Gross Profit	5,927	41.2%	114.7%	759	10,675	38.8%	107.6%	757
SG&A	4,867	33.8%	97.7%	(115)	9,435	34.3%	99.0%	(92)
Operating Income	1,060	7.4%	573.0%	874	1,240	4.5%	317.7%	849
Ordinary Income	1,016	7.1%	759.7%	882	1,150	4.2%	511.4%	925
Net Income	820	5.7%	—	759	900	3.3%	—	4,576

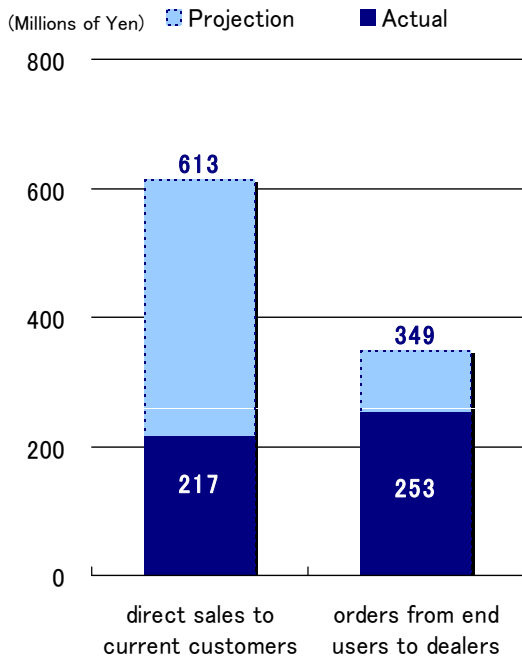
FY2010 : Segment Information

*There is no change for business results forecast.

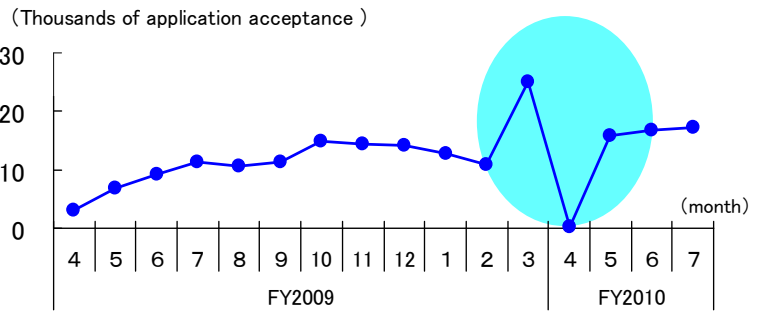
(Millions of Yen)		FY2010							
		First-Half				Full-Year			
		Projection	% to sales	% to last year	Difference	Projection	% to sales	% to last year	Difference
H S	Net Sales	8,554	100.0%	118.6%	1,341	15,750	100.0%	112.0%	1,693
	Gross Profit	4,471	52.3%	92.8%	(345)	7,810	49.6%	92.4%	(645)
	SG&A	2,651	31.0%	97.5%	(67)	5,110	32.4%	100.4%	19
	Op. Income	1,819	21.3%	86.7%	(278)	2,700	17.1%	80.2%	(665)
E S	Net Sales	1,263	100.0%	102.8%	33	2,570	100.0%	100.9%	22
	Gross Profit	515	40.8%	99.1%	(4)	1,030	40.1%	99.2%	(7)
	SG&A	393	31.2%	89.0%	(48)	790	30.7%	95.6%	(36)
	Op. Income	122	9.7%	155.8%	43	240	9.3%	113.6%	28
ERD	Net Sales	4,583	100.0%	126.7%	966	9,180	100.0%	115.7%	1,245
	Gross Profit	941	20.5%	—	1,109	1,835	20.0%	432.1%	1,410
	SG&A	742	16.2%	96.6%	(26)	1,485	16.2%	96.7%	(51)
	Op. Income	198	4.3%	—	1,135	350	3.8%	—	1,462
Group	Op. Income	(1,080)	—	—	(26)	(2,050)	—	—	23

FY2010 : Solar Photovoltaic Power Generation System

■ Disparity between planned and actual sales of Solar Photovoltaic Power Generation System in the first quarter.



■ Monthly change in the number of J-PEC subsidy application acceptances (accepted)

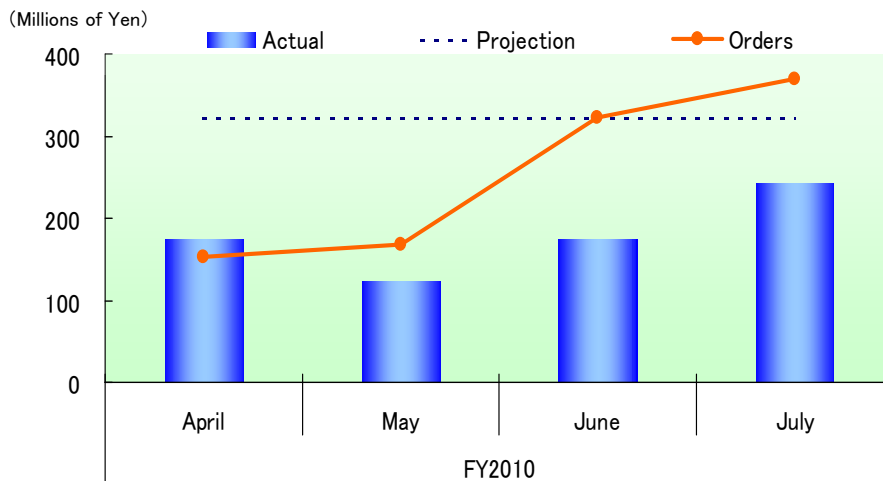


■ The factor in Disparity between planned and actual sales of Solar Photovoltaic Power Generation System in the first quarter.

- In the first quarter of the current fiscal year, the start of application acceptance for the subsidy was delayed more than expected.
 - Regarding direct sales to current customers, the Group focused on sales of existing products.
 - Regarding wholesale to dealers, the Group began sales activities from April. However, orders from end users to dealers did not increase so much in April due to the delayed start of application acceptance for the subsidy. In May, orders from dealers gradually recovered since the interest of end users began picking up. However, sales did not reach budget.

FY2010 : Solar Photovoltaic Power Generation System

■ Monthly change in the number of orders and results for solar photovoltaic power generation systems



direct sales to current customers

Aiming to conclude a dealership agreement with 1,500 companies

The number of dealership agreement

About 1,200 companies

<Breakdown>

- Western Japan : about 750
- Eastern Japan : about 450

【 The trend of Solar Photovoltaic Power Generation System sale 】

Once confusion in the application for the subsidy at the beginning of the current fiscal year was settled, the HS Division began sales activities: wholesale to dealers from May 2010 and direct sales to current customers from June 2010. Consequently, orders have exceeded the budget since June 2010. Results are expected to exceed the budget during the second quarter of the current fiscal year.

FY2010 : Solar Photovoltaic Power Generation System

■ With the introduction of the subsidy scheme for solar photovoltaic power generation systems in apartment buildings, the ES Division experimentally began marketing solar photovoltaic power generation systems from August 2010.

- The number of consultations and requests for quotes from owners of buildings and condominiums and management companies of built-for-rent and built-for-sale properties increased in the current fiscal year.
- The ES Division experimentally started marketing in the Kanto region, where it conducts sales activities to management companies of built-for-rent and built-for-sale properties. The Division will market nationwide if the marketing results are satisfactory.

Demand from owners of buildings and condominiums

Seeking merits of owners

- Owners themselves have merits: revenue from electric power sales and reduction of electricity expenses
- Reducing electricity expenses by using electricity for common-use spaces

Seeking merits of residents

- Allowing residents in condominiums to use electricity generated by solar photovoltaic power generation systems can help the buildings earn reputation as high value-added condominiums (reduction of electricity expenses, revenue from electric power sales, and a more ecological life). (It may also help raise occupancy rates.)

FY2010 : ERD Division

■ Reasons for the difference between the budget and results of the 1st Quarter in the Resource-Recycling Power Generation Business

During regular maintenance, cases of deterioration caused by aging were found. The Group extended the regular maintenance period and conducted additional repair works to secure stable operation. Consequently, earnings fell short of budget due to a decrease in operation days.

Earnings are expected to recover by implementing the following measures.



Signed a new contract with another purchaser under better conditions after terminating a wholesale contract with a previous purchaser

● Changing to fixed-rate transactions

In the Japan Electric Power Exchange, sales prices significantly fluctuate according to external environmental factors. The new contract allows the Group to avoid the risk of lower revenue due to a decline in sales prices and to sell electricity at prices above average sales prices in the previous fiscal year.

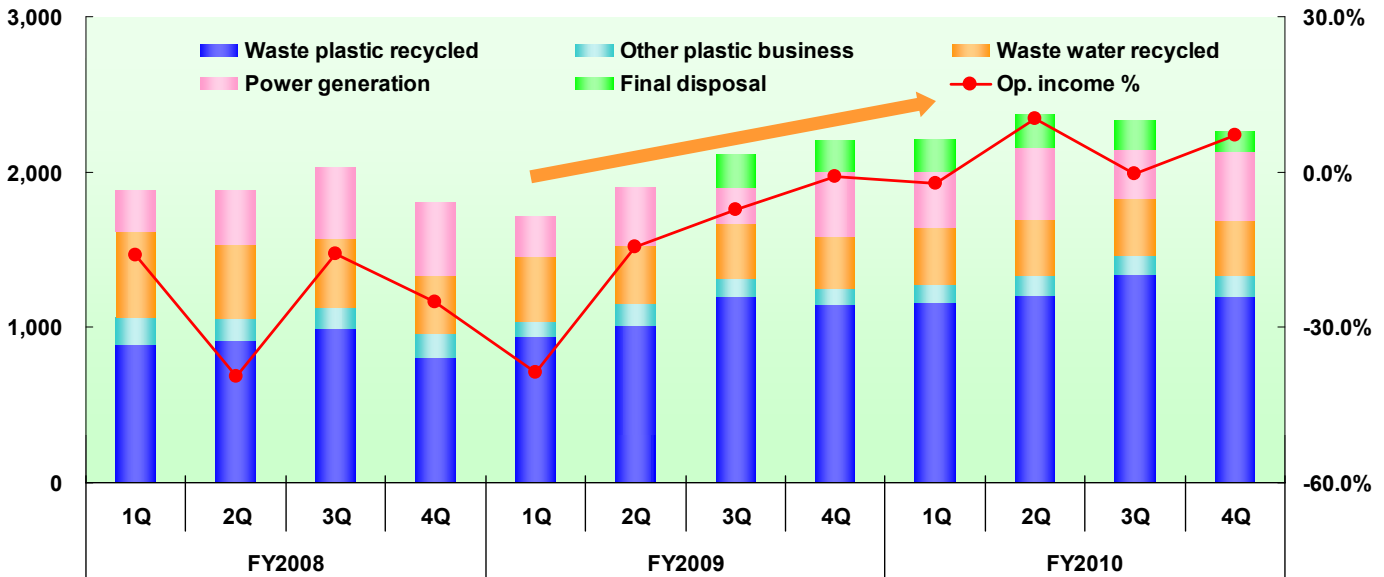
● Cost reduction

In the Japan Electric Power Exchange, a seller shall be obliged to pay compensation if the volume of electricity provided by the seller on a delivery day falls short of that previously notified by the seller. To meet this requirement, the Group was sometimes forced to operate the Power Plant extra hours. The new contract allows the Group to operate the facility more stably and reduce costs because the Group does not need to worry about compensation.

FY2010 : ERD Division

Net Sales by Product and Operating Income Margin

(Millions of Yen)

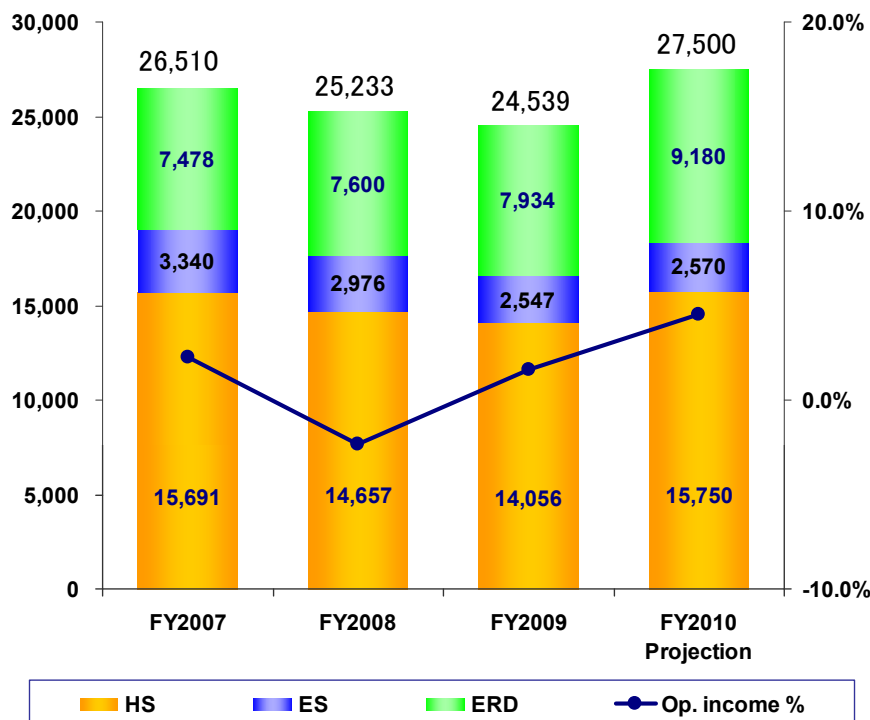


Recovery in the resource-recycling power generation business is expected to become more visible in the fiscal year ending March 2011, compared to the second half of the fiscal year ended March 2010. Profitability is forecast to improve.

FY2010 : Whole Group

Net Sales by Segment and Operating Income Margin

(Millions of Yen)



Forecast for FY2010

Net Sales : 27,500MY

Op. Income : 1,240MY

Op. Income % : 4.5%