



# **SANIX INCORPORATED**

## Consolidated Financial Summary

For the First quarter ended June 30, 2011

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, 2011

**SANIX INCORPORATED**

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: [http://sanix.jp/index\\_e.htm](http://sanix.jp/index_e.htm)

President and CEO: Shin-ichi Munemasa

Contact: Masahiro Shimojo, Managing Director, Management and Planning Division

**1. Consolidated Financial Highlights for the first quarter ended June 30, 2011****(1) Consolidated Operating Results**

(Millions of Yen)

	First quarter			
	from April 1 and June 30			
	FY2011	% change	FY2010	% change
Net Sales. . . . .	<b>7,505</b>	<b>3.2%</b>	7,274	15.7%
Operating Income. . . . .	<b>(317)</b>	-	611	816.6%
Ordinary Income. . . . .	<b>(325)</b>	-	593	657.5%
Net Income. . . . .	<b>(439)</b>	-	440	422.8%
Net Income per Share(¥). . . . .	<b>(¥9.21)</b>	-	¥9.23	-
Net Income per Share, Diluted(¥). . . . .	-	-	-	-
(Reference) Comprehensive income. . . . .	<b>(424)</b>	-	428	-

**(2) Consolidated Financial Position**

(Millions of Yen)

	As of June 30	As of March 31
	FY2011	FY2010
Total Assets. . . . .	<b>19,770</b>	20,406
Net Assets. . . . .	<b>6,677</b>	7,102
Shareholders' Equity Ratio (%). . . . .	<b>33.6%</b>	34.7%

Reference Shareholders' equity as of June 30, 2011 6,648million yen

Shareholders' equity as of March 31, 2011 7,072 million yen

**2. Dividends**

	At the end of				Annual
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
(Dividends per Share)					
FY2010 ended March 31, 2011. . . . .	—	0.00	—	0.00	0.00
FY2011 ending March 31, 2012 (Forecast). . . . .	—	<b>0.00</b>	—	<b>0.00</b>	<b>0.00</b>

### 3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2012)

(Millions of Yen)

	FY2011			
	First Half	% change	Full Year	% change
Net Sales. . . . .	17,410	19.2%	38,000	31.1%
Operating Income. . . . .	265	(76.6%)	1,300	159.0%
Ordinary Income. . . . .	240	(78.0%)	1,250	190.7%
Net Income. . . . .	30	(96.3%)	830	-
Net Income per Share(¥). . . . .	¥0.63	-	¥17.40	-

There is no change from initial projections for semi-annual and annual operational results publicly announced on May 11, 2011.

### 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, 2011

(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, procedures, and the presentation methods: None

(4) Number of Shares Issued and Outstanding

(Shares)

	First Quarter ended June 30, 2011	Full Year ended March 31, 2011
Number of shares issued and outstanding at period end. . . . .	<b>48,919,396</b>	48,919,396
Number of treasury stocks at period end. . . . .	<b>1,209,971</b>	1,210,021
Average number of shares issued and outstanding during the fiscal term. . .	<b>47,709,412</b>	47,709,425 (1Q)

\*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, 2011

### (1) Qualitative Information of Consolidated Operation Results

Although the Japanese economy deteriorated dramatically following a decline in exports and production due to the impact of the Great East Japan Earthquake, it began showing signs of a recovery in line with the restoration of the supply chain. Nevertheless, the situation remains uncertain as the electrical power shortage becomes a nationwide issue.

Under these circumstances, the SANIX Group reinforced legal compliance and customer-oriented marketing to recover customer confidence in the Company. At the same time, SANIX focused on improving productivity to improve profitability. As a business model in the next-generation energy field, we promoted sales of our Solar Photovoltaic Power Generation System, a clean energy source, and resource-recycling power generation system, which reprocesses plastic waste as fuel.

In the first quarter of the fiscal year ending March 31, 2012, in the Environment Resources Development Division, the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) made the regular maintenance and statutory inspection for the plants on June, 2011 and recorded higher the repair expenses than the same period last year. As a result, this renewal of the plants will make the operation for power generation more stable and the Division is expecting its profitability to improve.

In the first quarter of the fiscal year ending March 31, 2012, the Sanix Group saw sales in the Home Sanitation Division (HS Division), the Establishment Sanitation Division (ES Division), and the Environmental Resources Development Division (ERD Division) grow from the same period last year. The Group's total sales amounted to 7,505 million (3.2% increase year-on-year). Regarding the cost, the cost of sales increased by 25.3% from the same period last year, since the repair expenses in the Sanix Energy's Tomakomai Power Plant increased and the constituent ratio of the Solar Photovoltaic Power Generation System, which are less profitable than other products, rose.

As a result, the Sanix Group reported operating loss of 317 million yen (operating income of 611 million yen for the same period last year), ordinary loss of 325 million yen (ordinary income of 593 million yen for the same period last year) and net loss of 439 million yen (net income of 440 million yen for the same period last year).

Consolidated results of individual divisions for the year were as follows:

#### **Earnings of Individual Divisions:**

##### **Home Sanitation Division**

In the HS Division, sales in Termite Eradication Services declined by 11.4% from the last year. In reaction to the implementation of the sales campaign for "Under-Roof/Floor Ventilation Systems" in the same period last year, sales turned down by 41.3% year-on-year. Sales in Foundation Repair Treatment and Reinforcement Services declined by 42.0% from the last year, since the first-round effects of the sales campaign has ended. Meanwhile, sales of the mainstay, Solar Photovoltaic Power Generation System, steadily increased by 196.8% (year-on-year). Consequently, sales in the HS Division amounted to 4,463 million yen (up 1.3% from the last year).

Regarding operating margins, the Division's operating income decreased by 40.2% year-on-year to 768 million yen, since the constituent ratio of the Solar Photovoltaic Power Generation System, which are less profitable than other products, rose. The operating-income-to-sales ratio stands at 17.2% (29.2% in the last year).

##### **Establishment Sanitation Division**

The ES Division concentrated its resources on marketing to corporate customers, such as building and condominium management companies to improve business efficiency and recover profitability. Consequently, the ES Division's sales amounted to 677 million yen (up 4.3% year-on-year) because Solar Photovoltaic Power Generation System for housing complex contributed to sales, though sales of the existing products made little

progress.

Regarding operating margins, the Division's operating loss recorded 11 million yen (operating income recorded 55 million yen last year), since the constituent ratio of the Solar Photovoltaic Power Generation System, which are less profitable than other products, rose.

### **Environmental Resources Development Division**

Sales in Waste Plastic Processing increased by 9.3% (year-on-year), due to increases in the number of customers and volume of plastic brought in. Power Sales decreased by 33.1% year-on-year because the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) extended the regular maintenance period compared to the previous year due to the statutory inspection at the same. Sales in Organic Liquid Waste Processing steadily increased by 19.1% (year-on-year). Sales in Landfill Operations increased 0.7% (year-on-year) because of keeping average volume of plastic brought in in the previous year. As a result, sales in the ERD Division amounted to 2,364 million yen (up 6.5% from the last year).

The Division saw operating loss decrease to 491 million yen (operating loss of 179 million yen for the last year) because the Sanix Energy's Tomakomai Power Plant recorded higher the repair expenses than the same period last year due to the renewal of the plants for the regular maintenance despite its efforts to increase productivity and reduce costs paid off.

## **(2) Qualitative Information of Consolidated Financial Position**

### Assets, Liabilities and Net Assets

Total assets amounted to 19,770 million yen as of the end of the first quarter of the current fiscal year, down 636 million yen from the end of the previous fiscal year. This was mainly due to an decrease in notes and accounts receivable-trade and cash and deposits. Total liabilities were 13,092 million yen, down 211 million yen from the end of the previous fiscal year. This was attributable to a repayments of loans payable. Net assets totaled 6,677million yen, down 424 million yen from the previous consolidated fiscal year end. This was primarily due to the net loss of 439 million yen incurred during the quarter. Consequently, the ratio of owners' equity was 33.6%, compared to 34.7% for the previous consolidated fiscal year end.

## **(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 2012, the Sanix Group announced on May 11, 2011.

## **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)

Effective from the first quarter of fiscal 2011, the Company has applied the Accounting Standard for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, issued on December 4, 2009) to accounting changes implemented and corrections to past errors made from the beginning of the first quarter onward.

### 3. Consolidated Financial Statements for the first quarter ended June 30, 2011

#### (1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31 FY2010	As of June 30 FY2011
<b>Assets:</b>		
Current Assets:		
Cash and deposits	1,138,347	884,841
Notes and accounts receivable-trade	2,521,099	2,195,296
Merchandise and finished goods	59,493	57,214
Raw materials and supplies	1,582,927	1,643,699
Other	694,389	737,974
Allowance for doubtful accounts	(105,828)	(110,752)
Total Current Assets:	5,890,429	5,408,273
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,260,413	2,209,826
Machinery, equipment and vehicles, net	144,994	151,802
Land	8,979,529	8,979,529
Other, net	378,179	371,608
Total Property, Plant and Equipment:	11,763,116	11,712,766
Intangible Fixed Assets:		
Goodwill	849,383	821,382
Other, net	61,035	60,393
Total Property, Plant and Equipment:	910,419	881,776
Total Investments and Other Assets:	1,842,705	1,767,720
Total Fixed Assets:	14,516,241	14,362,263
<b>Total Assets:</b>	20,406,670	19,770,536
<b>Liabilities:</b>		
Current Liabilities:		
Notes and accounts payable-trade	867,782	1,115,768
Short-term loans payable	2,425,000	1,687,500
Accrued income taxes	242,661	65,507
Provision	31,753	39,824
Other	3,393,475	4,000,979
Total Current Liabilities:	6,960,673	6,909,579
Non-Current Liabilities:		
Long-term loans payable	4,319,226	4,128,795
Provision for retirement benefits	1,329,172	1,336,800
Provision for directors' retirement benefits	177,555	177,930
Provision for disposal site closing expenses	289,414	303,494
Other	228,076	236,285
Total Non-Current Liabilities:	6,343,445	6,183,306
<b>Total Liabilities:</b>	13,304,118	13,092,885

(Thousands of Yen)

	As of March 31	As of June 30
	FY2010	FY2011
<b>Net Assets:</b>		
Shareholders' Equity:		
Capital stock	14,041,834	<b>14,041,834</b>
Retained earnings	(5,391,444)	<b>(5,830,715)</b>
Treasury stock	(1,610,766)	<b>(1,610,754)</b>
Total Shareholders' Equity:	7,039,624	<b>6,600,364</b>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	32,620	<b>47,988</b>
Total Valuation and translation adjustments:	32,620	<b>47,988</b>
Minority Interests:	30,307	<b>29,297</b>
<b>Total Net Assets:</b>	7,102,551	<b>6,677,650</b>
<b>Total Liabilities and Net Assets:</b>	20,406,670	<b>19,770,536</b>

**(2) Consolidated Quarterly Statement of Income**

(Thousands of Yen)

	First quarter	
	from April 1 to June 30	
	FY2010	FY2011
Net sales	7,274,768	<b>7,505,414</b>
Cost of sales	4,157,279	<b>5,209,270</b>
Gross profit	3,117,489	<b>2,296,143</b>
Selling, general and administrative expenses	2,505,856	<b>2,613,864</b>
Operating income (loss)	611,632	<b>(317,721)</b>
Non-operating income:		
Interest income	1,501	<b>1,571</b>
Dividends income	6,033	<b>8,797</b>
Land and house rent revenue	16,819	<b>16,819</b>
Other	11,578	<b>11,440</b>
Total non-operating income	35,933	<b>38,630</b>
Non-operating expenses:		
Interest expenses	49,755	<b>45,406</b>
Other	4,355	<b>1,192</b>
Total non-operating expenses	54,110	<b>46,599</b>
Ordinary income (loss)	593,455	<b>(325,690)</b>
Extraordinary income:		
Gain on sales of subsidiaries and affiliates' stocks	5,000	—
Reversal of allowance for doubtful accounts	2,535	—
Reversal of provision for bonuses	64,788	—
Total extraordinary income	72,324	—
Extraordinary loss:		
Loss on retirement of fixed assets	184	<b>96</b>
Loss on cancellation of lease contracts	296	<b>973</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations	114,268	—
Total extraordinary loss	114,749	<b>1,069</b>
Income (loss) before income taxes and minority interests	551,029	<b>(326,759)</b>
Income taxes-current	62,351	<b>40,221</b>
Income taxes-deferred	47,610	<b>72,974</b>
Total income taxes	109,961	<b>113,196</b>
Income(loss) before minority interests	441,067	<b>(439,956)</b>
Minority interests in income (loss)	513	<b>(684)</b>
Net income (loss)	440,553	<b>(439,271)</b>

## (Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	First quarter	
	from April 1 to June 30	
	FY2010	FY2011
Income (loss) before minority interests	441,067	(439,956)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	(12,437)	15,368
Total other comprehensive income	(12,437)	15,368
Comprehensive income	428,630	(424,587)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	428,116	(423,903)
Comprehensive income attributable to minority interests	513	(684)

**(3) Note regarding assumption of a going concern**

There is no events or situations that arouse serious doubt regarding the assumption of a going concern.

**(4) Segment Information**

I . Prior first quarter (From April 1, 2010 to June 30, 2010)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers . . . . .	4,403,845	649,607	2,221,315	7,274,768	-	7,274,768
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-	-	-
Total . . . . .	4,403,845	649,607	2,221,315	7,274,768	-	7,274,768
Operating income (loss) . . . . .	1,285,839	55,897	(179,103)	1,162,633	(551,001)	611,632

II . Consolidated fiscal year (From April 1, 2011 to June 30, 2011)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers . . . . .	4,463,163	677,265	2,364,985	7,505,414	-	7,505,414
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-	-	-
Total . . . . .	4,463,163	677,265	2,364,985	7,505,414	-	7,505,414
Operating income (loss) . . . . .	768,290	(11,973)	(491,880)	264,436	(582,158)	(317,721)

**(5) Note regarding significant changes in the amount of shareholders' equity**

There is no significant change.

## 4. Supplemental Information

### Consolidated Net Sales by Division

(Thousands of Yen)

	First quarter		Changes
	from April 1 to June 30		
	FY2010	FY2011	
Termite Eradication Service	1,386,589	<b>1,228,557</b>	(158,032)
Under-Roof/Floor Ventilation System	976,253	<b>573,111</b>	(403,141)
Foundation Repairing Treatment	678,850	<b>393,791</b>	(285,058)
Home Reinforcement System	128,465	<b>90,325</b>	(38,139)
Solar photovoltaic power generation system	471,754	<b>1,400,010</b>	928,256
Other	761,932	<b>777,365</b>	15,432
<b>Home Sanitation Division Total:</b>	4,403,845	<b>4,463,163</b>	59,317
Anti-rust equipment installation	119,014	<b>118,933</b>	(81)
Repair of building water-works	202,284	<b>210,417</b>	8,132
Waterproofing of building	154,369	<b>99,299</b>	(55,069)
Solar photovoltaic power generation system	-	<b>93,012</b>	93,012
Other	173,938	<b>155,602</b>	(18,335)
<b>Establishment Sanitation Division Total:</b>	649,607	<b>677,265</b>	27,658
Industrial Waste (Waste plastic processing)	1,248,119	<b>1,364,383</b>	116,264
Industrial waste (Organic Waste Water Recycle)	337,009	<b>401,499</b>	64,490
Generation of electricity	299,518	<b>200,248</b>	(99,270)
Final disposal	233,168	<b>234,809</b>	1,641
Other	103,500	<b>164,043</b>	60,543
<b>Environmental Resources Development Division Total:</b>	2,221,315	<b>2,364,985</b>	143,669
<b>Total Net Sales:</b>	7,274,768	<b>7,505,414</b>	230,645