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SANIX



Consolidated Financial Statements

For the First Quarter ended June 30, 2011

SANIX INCORPORATED

August 8, 2011

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



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Summary of 1st Quarter



Summary of 1st Quarter

In the current first quarter, Net Sales increased in comparison to the same period last year, but Net Income decreased in comparison to the same period last year.

Net Sales	:	7,505 Million Yen	(Up 230 million yen year-on-year)
Operating Income	:	△317 Million Yen	(Down 929 million yen year-on-year)
Ordinary Income	:	△325 Million Yen	(Down 919 million yen year-on-year)
Net Income	:	△439 Million Yen	(Down 879 million yen year-on-year)

◆ Net Sales ◆

Net Sales increased in comparison to the same period last year because the sales of Solar Photovoltaic Power Generation System in the HS Division and the ES Division and the sales of Waste Plastic Recycled and Organic Waste Water Recycled in the ERD Division increased steadily.

◆ Earnings ◆

Net Income decreased in comparison to the same period last year because cost of sales increased by 25.3% year-on-year. Because, in the ERD Division, the Sanix Energy's Tomakomai Power Plant recorded higher the repair expenses than the same period last year to prepare stable and continuous operation at the regular maintenance in addition to rising the constituent ratio of the Solar Photovoltaic Power Generation System

1st Quarter : Statement of Income

(Millions of Yen)	FY2010		FY2011					
	1st Quarter		1st Quarter					
	Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
Net Sales	7,274	100.0%	7,505	100.0%	103.2%	7,828	95.9%	(322)
HS	4,403	60.5%	4,463	59.5%	101.3%	4,840	92.2%	(376)
ES	649	8.9%	677	9.0%	104.3%	765	88.5%	(87)
ERD	2,221	30.6%	2,364	31.5%	106.5%	2,223	106.4%	141
Cost of Sales	4,157	57.1%	5,209	69.4%	125.3%	5,292	98.4%	(82)
Gross Profit	3,117	42.9%	2,296	30.6%	73.7%	2,536	90.5%	(239)
SG&A	2,505	34.4%	2,613	34.8%	104.3%	2,736	95.5%	(122)
Operating Income	611	8.4%	(317)	—	—	(200)	—	(117)
Ordinary Income	593	8.2%	(325)	—	—	(211)	—	(114)
Net Income	440	6.1%	(439)	—	—	(302)	—	(137)

■ In the HS Division, sales of existing product including Termite Eradication Service fell short of budget, although we assumed the increase of cost of sales due to increase of the repair expenses in Tomakomai Power Plant and rising the constituent ratio of the Solar Photovoltaic Power Generation System in the HS and ES Division. Consequently, the Group fell short of budget a little, but the Net Sales and Income was more or less in line with the plan .

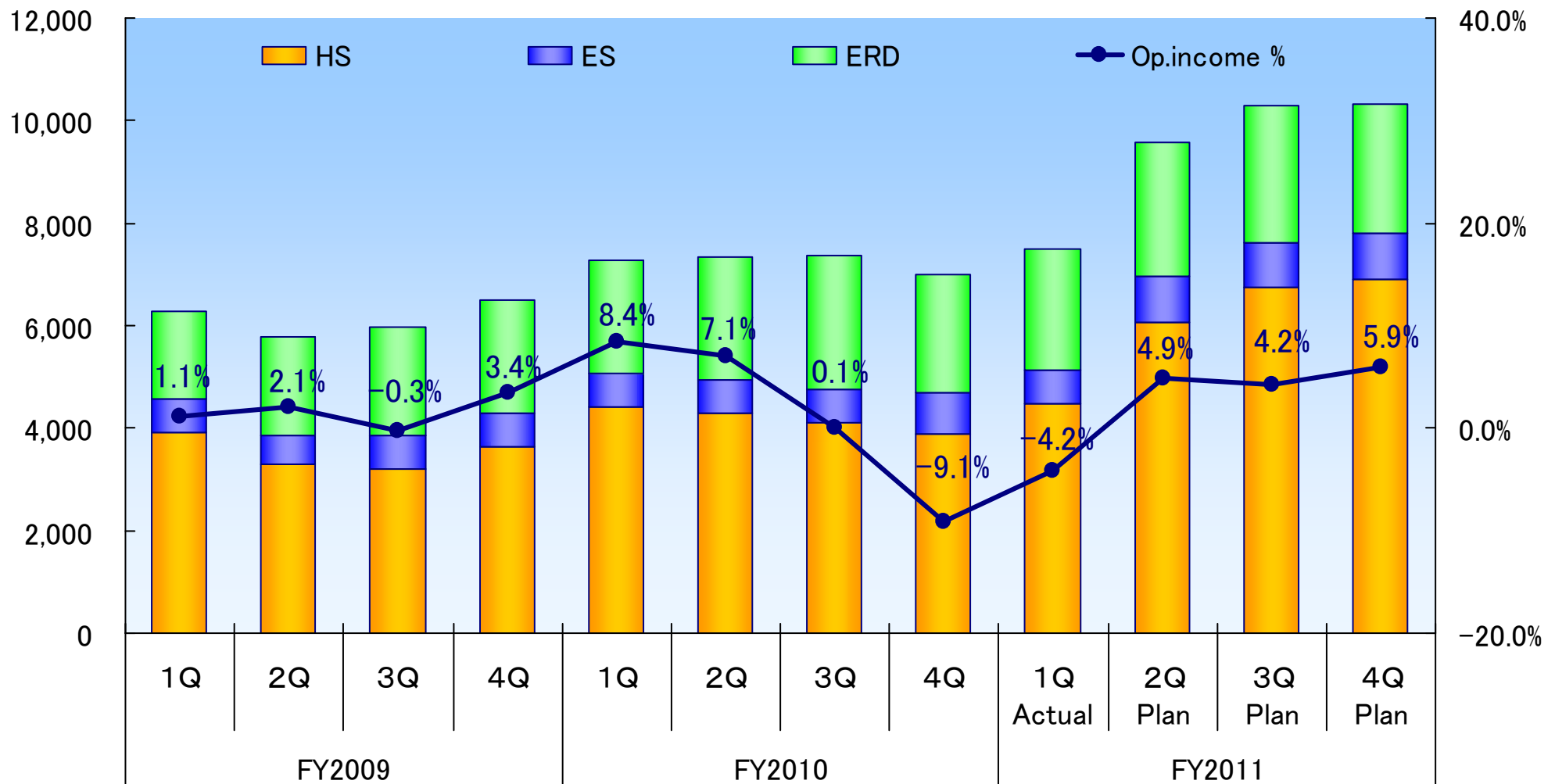
1st Quarter : Segment Information

(Millions of Yen)		FY 2010		FY 2011					
		1st Quarter		1st Quarter					
		Actual	% to last year	Actual	% to sales	% to last year	Projection	% of change	Difference
HS	Net Sales	4,403	112.2%	4,463	100.0%	101.3%	4,840	92.2%	(376)
	Gross Profit	2,674	100.2%	2,185	49.0%	81.7%	2,410	90.7%	(224)
	SG&A	1,388	97.5%	1,417	31.8%	102.1%	1,522	93.1%	(104)
	Op.Income	1,285	103.2%	768	17.2%	59.8%	888	86.5%	(119)
ES	Net Sales	649	100.2%	677	100.0%	104.3%	765	88.5%	(87)
	Gross Profit	238	87.2%	214	31.7%	90.1%	260	82.7%	(45)
	SG&A	182	79.7%	226	33.5%	124.2%	225	100.6%	1
	Op.Income	55	126.4%	(11)	—	—	34	—	(46)
ERD	Net Sales	2,221	129.6%	2,364	100.0%	106.5%	2,223	106.4%	141
	Gross Profit	204	—	(104)	—	—	(134)	—	29
	SG&A	383	95.9%	387	16.4%	100.9%	366	105.8%	21
	Op.Income	(179)	—	(491)	—	—	(500)	—	8
Group	Op.Income	(551)	—	(582)	—	—	(622)	—	40

1st Quarter : Segment Information (2)

■ Net Sales by Segment and Operating Income Margin

(Millions of Yen)



1st Quarter : HS Division

■ The Division was roughly in line with the plan.

Regarding the sales of the Solar Photovoltaic Power Generation System, the orders was in line with the plan, but we failed to achieve the target because of temporary postponement of Solar Photovoltaic Power Generation System installations until after July by the influence of weather.

Although net sales and operating income fell short of budget a little due to falling short of the budget for sales of the existing products including Termite Eradication Service, the Division was roughly in line with the plan.

(Millions of Yen)	FY 2010				FY 2011			
	1Q	2Q	3Q	4Q	1Q			
	Actual	Actual	Actual	Actual	Actual	% to last year	Projection	% of change
Total Net Sales	4,403	4,277	4,093	3,881	4,463	101.3%	4,840	92.2%
Termite Eradication Service	1,386	1,181	831	695	1,228	88.6%	1,350	91.0%
Under-Floor/-Roof Ventiration System	976	910	510	170	573	58.7%	650	88.2%
Foundation Repairing Treatment	678	527	400	153	393	58.0%	420	93.8%
House Reinforcement System	128	103	77	40	90	70.3%	80	112.9%
Solar Photovoltaic Power Generation System	471	744	1,581	2,464	1,400	296.8%	1,540	90.9%
Others	761	810	692	356	777	102.0%	800	97.2%
Operating Income	1,285	974	414	(67)	768	59.8%	888	86.5%

1st Quarter : ES Division

■ The Division fell short of budget because it took longer than expected to make sales system maintenance of Solar Photovoltaic Power Generation System

Although sales of existing product was almost in line, sales of Solar Photovoltaic Power Generation System for housing complex fell short of budget because it took times to assign and train dedicated sales personnel for Solar Photovoltaic Power Generation System. The Division 's operating loss was 11 million yen because sales of Solar Photovoltaic Power Generation System fell short of budget.

(Millions of Yen)	FY 2010				FY 2011				
	1Q	2Q	3Q	4Q	1Q				
	Actual	Actual	Actual	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	649	672	674	814	677	104.3%	765	88.5%	(87)
Anti-rust Equipment Installation	119	207	189	165	118	99.9%	140	85.0%	(21)
Repair of Building Water-works	202	189	190	188	210	104.0%	183	115.0%	27
Waterproofing of Building	154	103	99	70	99	64.3%	93	106.8%	6
Solar Photovoltaic Power Generation System	—	1	51	244	93	—	176	52.8%	(82)
Others	173	171	143	146	155	89.5%	173	89.9%	(17)
Operating Income	55	61	29	7	(11)	—	34	—	(46)

1st Quarter : ERD Division

■ Net sales was over the budget and operating income was in line with plan.

Net sales was over the budget because sales of Waste Plastic Recycled, Organic Waste Water Recycled and Final Disposal increased steadily in spite of falling short of budget in Power Generation to take some times for a renewal of plants at the regular maintenance. The Sanix Energy's Tomakomai Power Plant recorded higher the repair expenses for the renewal of plants than the same period last year to prepare stable and continuous operation at the regular maintenance, but operating income was in line with plan.

(Millions of Yen)	FY 2010				FY 2011				
	1 Q	2 Q	3 Q	4 Q	1 Q				
	Actual	Actual	Actual	Atual	Atual	% to last year	Projection	% of change	Difference
Total Net Sales	2,221	2,384	2,597	2,309	2,364	106.5%	2,223	106.4%	141
Waste Plastic Recycled	1,248	1,239	1,332	1,203	1,364	109.3%	1,276	106.9%	88
Organic Waste Water Recycled	337	357	375	374	401	119.1%	385	104.3%	16
Power Generation	299	391	452	284	200	66.9%	237	84.5%	(36)
Final Disposal	233	225	251	228	234	100.7%	175	134.2%	59
Others	103	169	185	218	164	158.5%	150	109.4%	14
Operating Income	(179)	(9)	53	(80)	(491)	—	(500)	—	8

SANIX



Forecast for FY2011



Forecast for FY2011

*There is no change for business results forecast.

Forecast for consolidated FY 2011

Net Sales	:	38,000 Million Yen	(FY2010 :	28,979 million yen)
Operating Income	:	1,300 Million Yen	(FY2010 :	501 million yen)
Ordinary Income	:	1,250 Million Yen	(FY2010 :	430 million yen)
Net Income	:	830 Million Yen	(FY2010 :	49 million yen)

HS Division

We will prioritize sales of solar power systems in the expectation of far greater revenues than in the previous term until after second quarter.

ES Division

Hereafter, the ES Division concentrated its resources on marketing to corporate customers, such as building and condominium management companies. In addition, the Division will promote the sales of Solar Photovoltaic Power Generation System as in the HS Division.

ERD Division

Regarding the revenue of Waste Plastic Recycled, the repercussions of the Great East Japan Earthquake will steadily dissipate and allow us to achieve solid results on and on.

Regarding the Power Sales business, Tomakomai Power Plant operates favorably after the regular maintenance and expects to improve revenue by stable and continuous operation to improve rate of operation and a reduction of the repair expenses by operation.

FY2011 : Statement of Income

*There is no change for business results forecast.

(Millions of Yen)	FY2011							
	First-Half				Full-Year			
	Projection	% to sales	% to last year	Difference	Projection	% to sales	% to last year	Difference
Net Sales	17,410	100.0%	119.2%	2,800	38,000	100.0%	131.1%	9,020
H S	10,910	62.7%	125.7%	2,228	24,565	64.6%	147.5%	7,908
E S	1,672	9.6%	126.5%	349	3,455	9.1%	122.9%	643
ERD	4,828	27.7%	104.8%	222	9,980	26.3%	104.9%	468
Cost of Sales	11,629	66.8%	136.7%	3,119	25,944	68.3%	138.7%	7,240
Gross Profit	5,781	33.2%	94.8%	(318)	12,056	31.7%	117.3%	1,780
SG&A	5,516	31.7%	111.1%	549	10,756	28.3%	110.0%	982
Operating Income	265	1.5%	23.4%	(867)	1,300	3.4%	259.0%	798
Ordinary Income	240	1.4%	22.0%	(850)	1,250	3.3%	290.7%	819
Net Income	30	0.2%	3.7%	(776)	830	2.2%	—	780

FY2011: Segment Information

*There is no change for business results forecast.

(Millions of Yen)		FY2011							
		First-Half				Full-Year			
		Projection	% to sales	% to last year	Difference	Projection	% to sales	% to last year	Difference
H S	Net Sales	10,910	100.0%	125.7%	2,228	24,565	100.0%	147.5%	7,908
	Gross Profit	4,717	43.2%	94.2%	(291)	9,242	37.6%	116.0%	1,277
	SG&A	3,122	28.6%	113.6%	373	6,057	24.7%	113.1%	700
	Op. Income	1,595	14.6%	70.6%	(665)	3,185	13.0%	122.1%	577
E S	Net Sales	1,672	100.0%	126.5%	349	3,455	100.0%	122.9%	643
	Gross Profit	580	34.7%	115.9%	79	1,208	35.0%	124.0%	233
	SG&A	466	27.9%	121.6%	82	938	27.1%	114.3%	117
	Op. Income	114	6.8%	97.2%	(3)	270	7.8%	175.7%	116
ERD	Net Sales	4,828	100.0%	104.8%	222	9,980	100.0%	104.9%	468
	Gross Profit	484	10.0%	82.0%	(105)	1,606	16.1%	120.1%	268
	SG&A	744	15.4%	95.5%	(34)	1,506	15.1%	97.0%	(47)
	Op. Income	(260)	—	—	(71)	100	1.0%	—	315
Group	Op. Income	(1,184)	—	—	(127)	(2,255)	—	—	(211)

FY2011 : HS Division

Projections of the SPPG System

Direct sales to current customers :

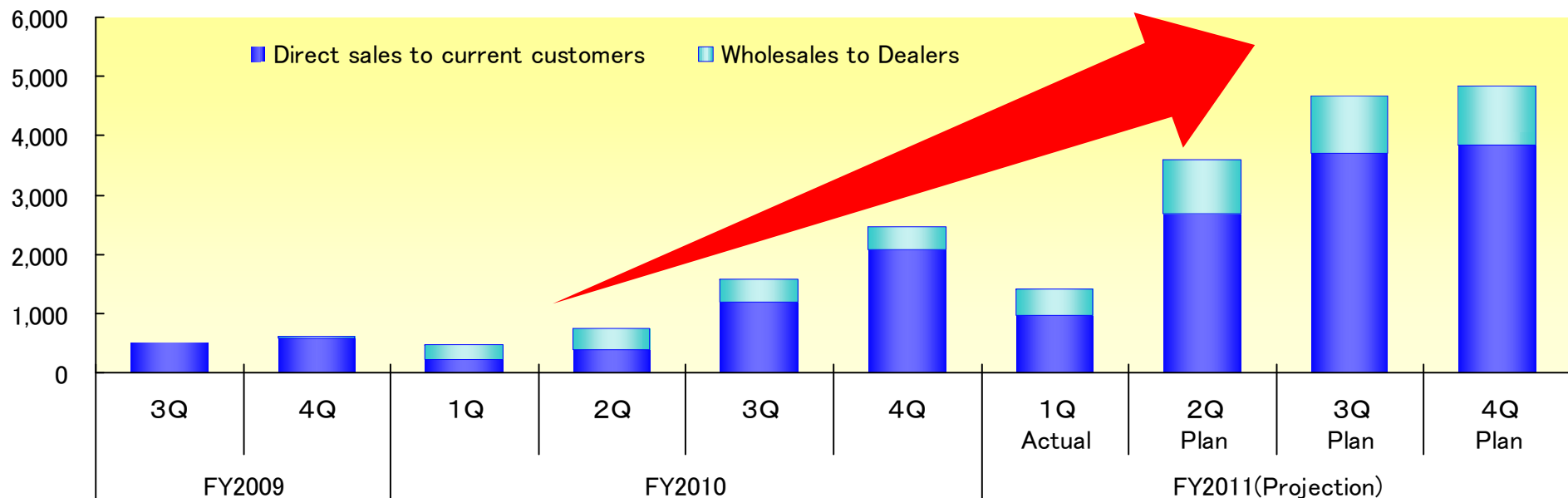
⇒ The Division intends to upgrade our sales structure include increasing sales personnel and further enhance construction efficiency, and expects the revenue to increase greatly in the second half.

Wholesales to Dealers :

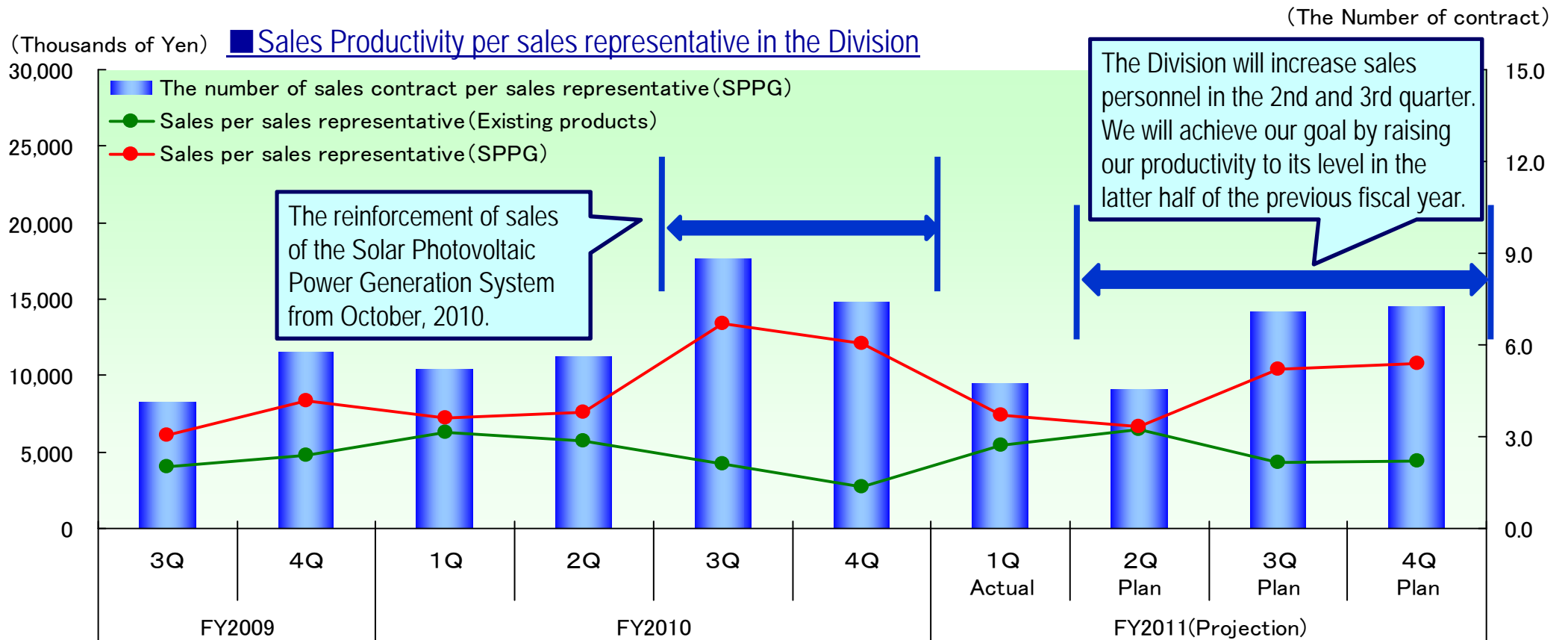
⇒ The Division improve our support to dealers, and we arrange industrial-use and other large-scale orders.



(Millions of Yen) **Net sales of the Solar Photovoltaic Power Generation System (construction and delivery) in the HS Division**



FY2011 : HS Division



Although the market price of our Solar Photovoltaic Power Generation System continues on a downtrend, we will promote the product because of our strength in our price advantage. We will do so providing the added value of reassuring our customers by handling all relevant operations involving contracts, construction as well as after-sale services and maintenance.

【Reference】 Market price : 544,000 yen/kW (From January, 2011 to March, 2011, average 4.09kW, Excerpted from a release of J-PEC)
 Sales price(Sanix) : The upper 400,000 yen level/kW (In the case of sales price in our direct sales, 3.0kW~4.0kW)

FY2011 : ERD Division

■ The situation of Resource-recycling Power Generation Business

- Regarding waste plastic processing, the waste plastics brought in increased steadily (up 10.8% year-on-year in the first quarter).
- Tomakomai Power Plant has kept stable and continuous operation without a great trouble since a regular maintenance was over.

Earnings are expected to recover more by implementing the following measures.



Turning our waste plastic fuel into a brand

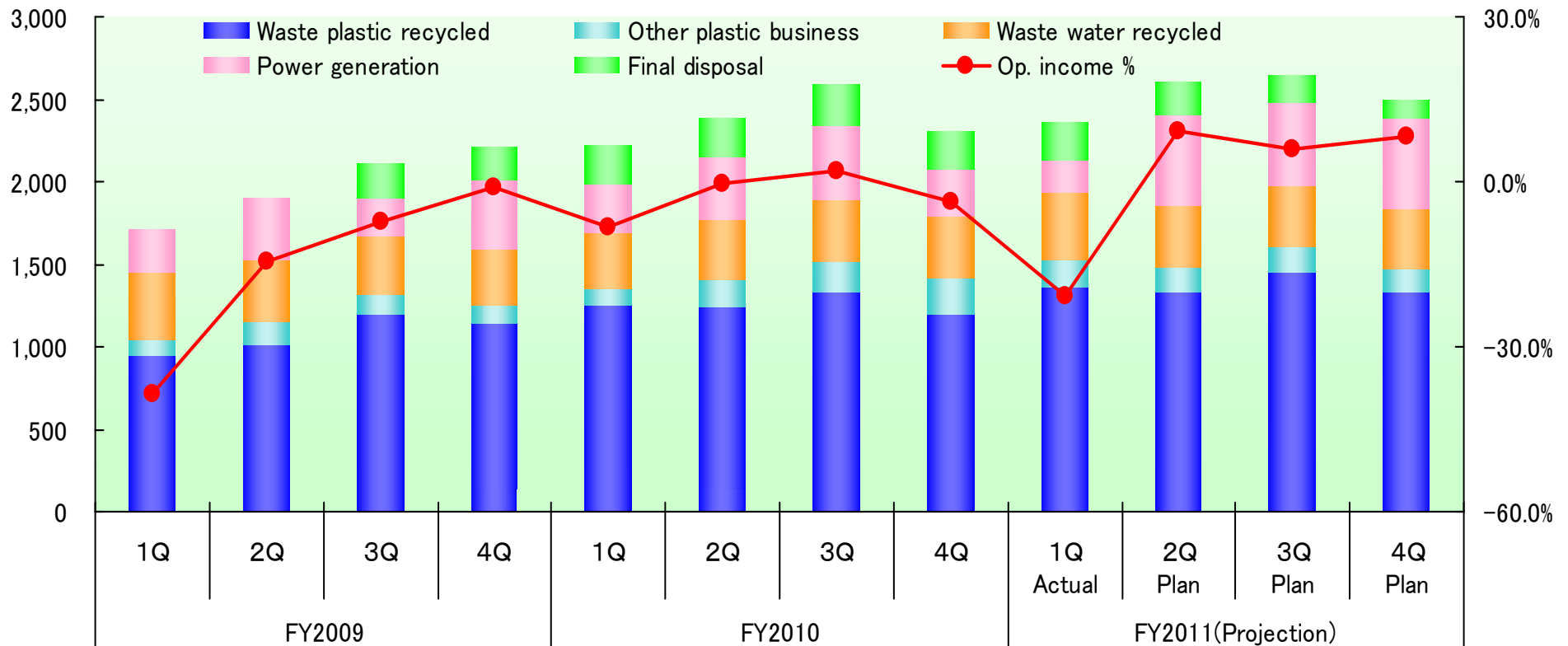
- Substantiation of quality of our waste plastic fuel by Improving rate of operation in Tomakomai Power Plant.
- We will substantiate quality of our waste plastic fuel through keeping stable and continuous operation for Tomakomai Power Plant by improving quality of fuel the Division has promoted since last year.

- Building a system that separates into categories and manufactures varying qualities of the fuel according to customer (use).
We plan to turn our waste plastic fuel into a brand by building a system that separates into categories and manufactures varying qualities of the fuel according to customer (use) because waste plastics brought in has increased steadily in waste plastic processing. We will expand sales of our fuel to the outside by turning our fuel into a brand and plan to recover earnings more.

FY2011 : ERD Division

Net Sales by Product and Operating Income Margin

(Million of Yen)

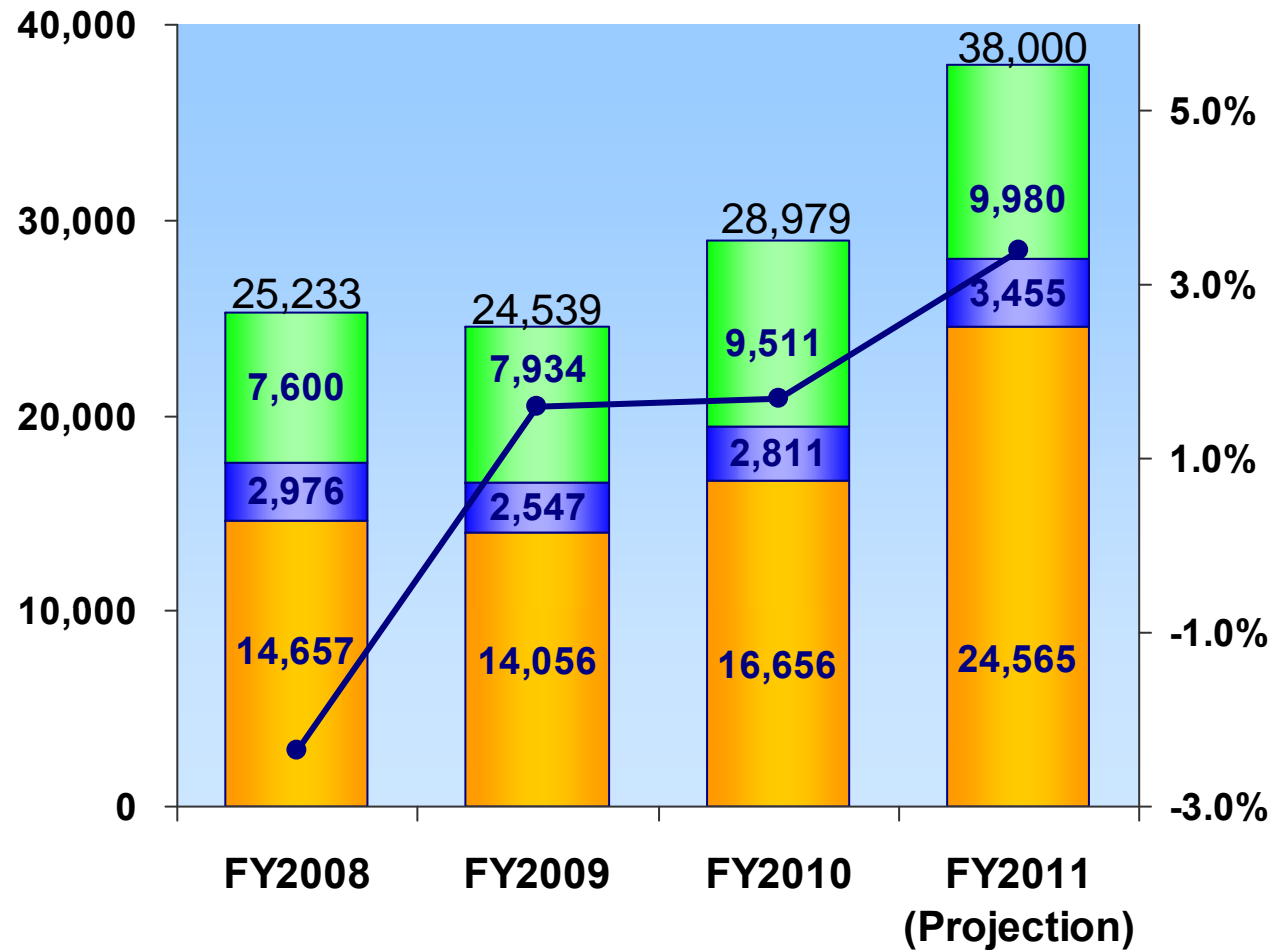


The revenue of Waste Plastic Recycled increases steadily, in addition to stable and continuous operation of the Tomakomai Power Plant after the regular maintenance in the first quarter. The profitability in the resource-recycling power generation business will improve, and the ERD Division expects to get into the black for the full year.

FY2011 : Whole Group

■ Net Sales by Segment and Operating Income Margin

(Millions of Yen)

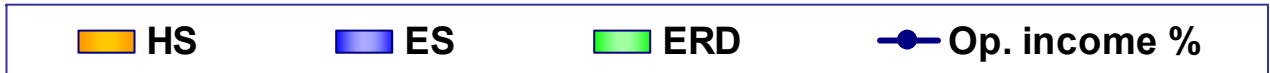


Forecast for FY2011

Net Sales : 38,000MY

Op. Income : 1,300MY

Op. Income % : 3.4%



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:

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