



SANIX INCORPORATED

Consolidated Financial Summary

For the First quarter ended June 30, 2012

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, 2012

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

President and CEO: Shin-ichi Munemasa

Contact: Toshiyuki Tominaga, General Manager, Management and Planning Division

1. Consolidated Financial Highlights for the first quarter ended June 30, 2012**(1) Consolidated Operating Results**

(Millions of Yen)

	First quarter			
	from April 1 and June 30			
	FY2012	% change	FY2011	% change
Net Sales.	8,822	17.6%	7,505	3.2%
Operating Income.	(115)	-	(317)	-
Ordinary Income.	(115)	-	(325)	-
Net Income.	(170)	-	(439)	-
Net Income per Share(¥).	(¥3.58)	-	(¥9.21)	-
Net Income per Share, Diluted(¥).	-	-	-	-
(Reference) Comprehensive income.	(170)	-	(424)	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of June 30	As of March 31
	FY2012	FY2011
Total Assets.	21,472	21,286
Net Assets.	6,964	7,134
Shareholders' Equity Ratio (%).	32.3%	33.4%

Reference Shareholders' equity as of June 30, 2012 6,936million yen

Shareholders' equity as of March 31, 2012 7,106 million yen

2. Dividends

	At the end of				Annual
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
(Dividends per Share)					
FY2011 ended March 31, 2012.	—	0.00	—	0.00	0.00
FY2012 ending March 31, 2013 (Forecast).	—	0.00	—	0.00	0.00

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2013)

(Millions of Yen)

	FY2012			
	First Half	% change	Full Year	% change
Net Sales.	18,940	22.6%	38,000	20.8%
Operating Income.	635	138.1%	2,000	388.0%
Ordinary Income.	615	159.3%	1,970	466.1%
Net Income.	540	-	1,820	-
Net Income per Share(¥).	¥11.32	-	¥38.15	-

There is no change from initial projections for semi-annual and annual operational results publicly announced on May 11, 2012.

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, 2012.

(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, accounting estimates and correction of prior errors

i)Changes in accounting principles due to revisions to accounting standards: Yes

ii)Changes other than shown in i) above: None

iii)Changes in accounting estimates: Yes

iv)Correction of prior period error: None

(4) Number of Shares Issued and Outstanding

(Shares)

	First Quarter ended June 30, 2012	Full Year ended March 31, 2012
Number of shares issued and outstanding at period end.	48,919,396	48,919,396
Number of treasury stocks at period end.	1,210,071	1,210,021
Average number of shares issued and outstanding during the fiscal term. . .	47,709,362	47,709,412 (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, 2012

(1) Qualitative Information of Consolidated Operation Results

In the first quarter of the fiscal year ending March 31, 2013, the Japanese economy demand from post-earthquake disaster reconstruction surfaced and personal consumption is back on track, thanks partly to the reinstatement of subsidy payments for eco-car purchases. That said, the actual state of the economy is uncertain owing to the impact of the economic slowdown in emerging countries and electrical power shortage amid clear signs of a European recession stemming from the fiscal instability in southern Europe.

Under these circumstances, as a business model in the next-generation energy field, SANIX 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, 2013, although Sales in the HS Division rose at a low rate (0.9% increase year-on-year), sales in the ERD Division increased by 52.1%(year-on-year) because "Plastic fuel business" increased greatly by increasing propitiously volume of plastics brought in, and "Power Generation" increased greatly by a stable operation in Tomakomai Power Plant and rise of unit price of electric power selling compared to previous period. As a result, the Group's total sales amounted to 8,822 million yen (17.6% increase year-on-year).

Regarding incomes, operating income in the HS Division decreased by decline of the constituent ratio of "Termite Eradication Service" and "Under-Floor/-Roof Ventiration System" with higher profitability, but operating income in the ERD Division increased greatly by increased.

As a result, the Sanix Group reported operating loss of 115 million yen (operating loss of 317 million yen for the same period last year), ordinary loss of 115 million yen (ordinary loss of 325 million yen for the same period last year) and net loss of 170 million yen (net loss of 439 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

Sales of the mainstay, Solar Photovoltaic Power Generation System, steadily increased by 99.4% (year-on-year). However, sales of Termite Eradication Service decreased by 42.7% (year-on-year) and sales of Under-Floor/-Roof Ventiration System decreased by 52.7% (year-on-year) and sales of Foundation Repairing/Home Reinforcement System decreased by 61.5% (year-on-year) because the number of requests on peak season decreased compared to previous period and sales personnel were shifted for sales of Solar Photovoltaic Power Generation System to sell Solar Photovoltaic Power Generation System positively. Consequently, sales in the HS Division amounted to 4,501 million yen (up 0.9% from the last year).

Regarding operating margins, the Division's operating income decreased by 84.2% year-on-year to 121 million yen, since the constituent ratio of "Termite Eradication Service" and "Under-Floor/-Roof Ventiration System" with higher profitability declined.

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 723 million yen (up 6.8% year-on-year) because sales of the existing products and Solar Photovoltaic Power Generation System for housing complex increased steadily.

Regarding operating margins, the Division's operating income recorded 11 million yen (operating loss recorded 11 million yen last year) because sale increased.

Environmental Resources Development Division

Sales in Plastic fuel business increased by 56.6% (year-on-year), due to increases in the volume of plastic brought in. Power Sales increased by 275.9% year-on-year by the following reasons; the rate of operation in the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) was improved by a stable and continuous operation and shortening the regular maintenance period compared to the previous year; unit price of electric power selling rose compared to previous period. Sales in Organic Liquid Waste Processing steadily increased by 2.7% (year-on-year). As a result, sales in the ERD Division amounted to 3,597 million yen (up 52.1% from the last year).

The Division's operating income recorded 294 million yen (operating loss recorded 491 million yen last year) due to improving sales productivity and reduction of costs by increasing sales.

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 21,472 million yen as of the end of the first quarter of the current fiscal year, up 185 million yen from the end of the previous fiscal year. This was mainly due to an increase in Cash and deposits and Notes and accounts receivable-trade. Total liabilities were 14,507 million yen, up 355 million yen from the end of the previous fiscal year. This was mainly due to an increase in Notes and accounts payable-trade. Net assets totaled 6,964 million yen, down 170 million yen from the end of the previous fiscal year. This was primarily due to the net loss of 170 million yen incurred during the quarter. Consequently, the ratio of owners' equity was 32.3%, compared to 33.4% 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 2013, the Sanix Group announced on May 11, 2012.

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: Yes
(Changes in the depreciation method)

In the first quarter ended June 30, 2012, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2012 in line with the revision of the Corporate Tax Act. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the current quarter is minimal.

3. Consolidated Financial Statements for the first quarter ended June 30, 2012

(1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31	As of June 30
	FY2011	FY2012
Assets:		
Current Assets:		
Cash and deposits	1,365,530	1,524,052
Notes and accounts receivable-trade	3,309,437	3,397,017
Merchandise and finished goods	53,187	52,858
Raw materials and supplies	1,713,692	1,630,283
Other	630,058	667,910
Allowance for doubtful accounts	(107,831)	(116,621)
Total Current Assets:	6,964,074	7,155,500
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,090,183	2,044,722
Machinery, equipment and vehicles, net	239,367	251,141
Land	8,979,529	8,979,529
Other, net	414,618	476,277
Total Property, Plant and Equipment:	11,723,699	11,751,671
Intangible Fixed Assets:		
Goodwill	737,377	709,375
Other, net	59,105	58,429
Total Property, Plant and Equipment:	796,482	767,804
Total Investments and Other Assets:	1,802,163	1,797,096
Total Fixed Assets:	14,322,345	14,316,572
Total Assets:	21,286,420	21,472,072
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	1,386,410	1,847,378
Short-term loans payable	2,325,000	2,097,500
Accrued income taxes	157,942	187,751
Provision	50,570	54,605
Accounts payable-other	2,330,436	2,406,092
Other	2,130,611	2,168,870
Total Current Liabilities:	8,380,971	8,762,198
Non-Current Liabilities:		
Bonds payable	70,000	70,000
Long-term loans payable	3,559,741	3,371,048
Provision for retirement benefits	1,382,781	1,385,880
Provision for directors' retirement benefits	178,256	178,631
Provision for disposal site closing expenses	331,431	345,745
Other	248,251	393,796
Total Non-Current Liabilities:	5,770,462	5,745,101
Total Liabilities:	14,151,433	14,507,300

(Thousands of Yen)

	As of March 31	As of June 30
	FY2011	FY2012
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Retained earnings	(5,377,499)	(5,548,117)
Treasury stock	(1,610,767)	(1,610,778)
Total Shareholders' Equity:	<u>7,053,567</u>	<u>6,882,938</u>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	52,772	53,605
Total Valuation and translation adjustments:	<u>52,772</u>	<u>53,605</u>
Minority Interests:	<u>28,647</u>	<u>28,227</u>
Total Net Assets:	<u>7,134,986</u>	<u>6,964,772</u>
Total Liabilities and Net Assets:	<u>21,286,420</u>	<u>21,472,072</u>

(2) Consolidated Quarterly Statement of Income

(Thousands of Yen)

	First quarter	
	from April 1 to June 30	
	FY2011	FY2012
Net sales	7,505,414	8,822,722
Cost of sales	5,209,270	6,268,556
Gross profit	2,296,143	2,554,166
Selling, general and administrative expenses	2,613,864	2,669,741
Operating loss	(317,721)	(115,575)
Non-operating income:		
Interest income	1,571	1,406
Dividends income	8,797	8,676
Land and house rent revenue	16,819	17,017
Other	11,440	15,333
Total non-operating income	38,630	42,433
Non-operating expenses:		
Interest expenses	45,406	41,895
Other	1,192	771
Total non-operating expenses	46,599	42,666
Ordinary loss	(325,690)	(115,808)
Extraordinary loss:		
Loss on retirement of fixed assets	96	503
Loss on cancellation of lease contracts	973	—
Total extraordinary loss	1,069	503
loss before income taxes and minority interests	(326,759)	(116,312)
Income taxes-current	40,221	51,664
Income taxes-deferred	72,974	3,059
Total income taxes	113,196	54,723
loss before minority interests	(439,956)	(171,036)
Minority interests in loss	(684)	(419)
Net loss	(439,271)	(170,617)

(Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	First quarter	
	from April 1 to June 30	
	FY2011	FY2012
Income (loss) before minority interests	(439,956)	(171,036)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	15,368	833
Total other comprehensive income	15,368	833
Comprehensive income	(424,587)	(170,203)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	(423,903)	(169,784)
Comprehensive income attributable to minority interests	(684)	(419)

(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, 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)

II . Consolidated fiscal year (From April 1, 2012 to June 30, 2012)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers	4,501,698	723,326	3,597,698	8,822,722	-	8,822,722
(2)Internal sales among segments and transfer accounts.	-	-	-	-	-	-
Total	4,501,698	723,326	3,597,698	8,822,722	-	8,822,722
Operating income (loss)	121,147	11,468	294,409	427,026	(542,601)	(115,575)

(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		
	FY2011	FY2012	
Solar photovoltaic power generation system	1,400,010	2,791,618	1,391,607
Termite Eradication Service	1,228,557	703,717	(524,840)
Under-Roof/Floor Ventilation System	573,111	271,020	(302,091)
Foundation Repairing/Home Reinforcement System	484,117	186,385	(297,732)
Other	777,365	548,956	(228,408)
Home Sanitation Division Total:	4,463,163	4,501,698	38,534
Anti-rust equipment installation	118,933	149,719	30,786
Repair of building water-works	210,417	211,224	807
Waterproofing of building	99,299	74,128	(25,171)
Solar photovoltaic power generation system	93,012	119,319	26,306
Other	155,602	168,934	13,332
Establishment Sanitation Division Total:	677,265	723,326	46,060
Plastic fuel	1,364,383	2,137,029	772,646
Industrial waste (Organic Waste Water Recycle)	401,499	412,303	10,803
Generation of electricity	200,248	752,778	552,530
Final disposal	234,809	151,442	(83,367)
Other	164,043	144,144	(19,899)
Environmental Resources Development Division Total:	2,364,985	3,597,698	1,232,713
Total Net Sales:	7,505,414	8,822,722	1,317,308