

**SANIX**

# **SANIX INCORPORATED**

## **Consolidated Financial Summary**

**For the First half ended September 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 half ended September 30, 2011

### SANIX INCORPORATED

Stock Listed:	Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange
Code No.:	4651
URL:	<a href="http://sanix.jp/index_e.htm">http://sanix.jp/index_e.htm</a>
President and CEO:	Shin-ichi Munemasa
Contact:	Toshiyuki Tominaga, General Manager, Management and Planning Division

### 1. Consolidated Financial Highlights for the first half ended September 30, 2011

#### (1) Consolidated Operating Results

(Millions of Yen)

	First half			
	from April 1 to September 30			
	FY2011	% change	FY2010	% change
Net Sales. . . . .	15,452	5.8	14,609	21.2
Operating Income. . . . .	266	(76.4)	1,132	512.1
Ordinary Income. . . . .	237	(78.2)	1,090	715.1
Net Income. . . . .	(0)	-	806	-
Net Income per Share(¥). . . . .	(¥0.00)	-	¥16.90	-
Net Income per Share, Diluted(¥). . . . .	-	-	-	-
(Reference) Comprehensive Income. . . . .	3	(99.6)	795	-

#### (2) Consolidated Financial Position

(Millions of Yen)

	As of September 30		As of March 31
	FY2011	FY2010	
Total Assets. . . . .	19,904	20,406	
Net Assets. . . . .	7,105	7,102	
Shareholders' Equity Ratio (%). . . . .	35.6%	34.7%	

Reference	Shareholders' equity as of September 30, 2011	7,076 million yen
	Shareholders' equity as of March 31, 2011	7,072 million yen

### 2. Dividends

	At the end of				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
(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	
	Full Year	% change
Net Sales. . . . .	38,000	31.1%
Operating Income. . . . .	1,300	159.0%
Ordinary Income. . . . .	1,250	190.7%
Net Income. . . . .	830	-
Net Income per Share(¥). . . . .	¥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 half ended September 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 Half ended Sep. 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>47,709,418</b>	47,709,432 (2Q)

\*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 half ended September 30, 2011**

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

Although the Japanese economy began showing signs of a recovery in line with the restoration of the supply chain which was disrupted by the Great East Japan Earthquake. Nevertheless, the situation remains uncertain because of the electrical power shortage, the progress of stock sell-off and concerning about the economic slowdown in Europe precipitated by fears of a default by Greece.

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 half 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 15,452 million (5.8% increase year-on-year). Regarding the cost, the cost of sales increased by 18.2% from the same period last year due to the rise of the constituent ratio of the Solar Photovoltaic Power Generation System, which are less profitable than other products, and in addition, the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) made the regular maintenance and statutory inspection for the plants and recorded higher the repair expenses than the same period last year.

As a result, the Sanix Group reported operating income of 266 million yen (declined by 76.4% from the last year), ordinary loss of 237 million yen (declined by 78.2% from the last year) and net loss of 0 million yen (net income of 806 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 8.4% 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 30.9% year-on-year. Sales in Foundation Repair Treatment and Reinforcement Services declined by 36.5% 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 102.0% from the last year. Consequently, sales in the HS Division amounted to 8,868 million yen (up 2.2% from the last year).

Regarding operating margins, the Division's operating income decreased by 27.5% year-on-year to 1,639 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 18.5% (26.0% in the last year).

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

The ES Division concentrated its resources on selling the Solar Photovoltaic Power Generation System for housing complex besides selling our existing building and condominium maintenance management services.

Consequently, the ES Division's sales amounted to 1,341 million yen (up 1.4% year-on-year) because Solar Photovoltaic Power Generation System for housing complex contributed to sales, though sales of the existing building and condominium maintenance management services made little progress.

Regarding operating margins, the Division's operating loss recorded 12 million yen (operating income recorded 117 million yen last year) due to the rise of the constituent ratio of the Solar Photovoltaic Power Generation System, which are less profitable than other products.

## **Environmental Resources Development Division**

Sales in Waste Plastic Processing increased by 17.1% (year-on-year), due to increases in the number of customers and volume of plastic brought in. Power Sales increased by 16.1% (year-on-year) because the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) increased electricity output by the stable and continuous operation after the regular maintenance in addition to improvement of quality of our waste plastic fuel. Sales in Organic Liquid Waste Processing steadily increased by 18.4% (year-on-year).

As a result, sales in the ERD Division amounted to 5,243 million yen (up 13.8% from the last year).

The Division saw operating loss decrease to 270 million yen (operating loss of 188 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**

### **1) Assets, Liabilities and Net Assets**

Total assets amounted to 19,904 million yen as of the end of the first half of the current fiscal year, down 502 million yen from the end of the previous fiscal year. This was mainly due to an decrease in cash and deposits and fixed assets by posting depreciation and amortization. Total liabilities were 12,798 million yen, down 505 million yen from the end of the previous fiscal year. This was attributable to a repayments of loans payable. Net assets totaled 7,105 million yen, up 2 million yen from the previous consolidated fiscal year end. This was primarily due to increase valuation difference on available-for-sale securities. Consequently, the ratio of owners' equity was 35.6%, compared to 34.7% for the previous consolidated fiscal year end.

### **2) Cash Flows**

Cash and cash equivalents as of September 30, 2011 totaled 962 million yen, an decrease of 176 million yen from as of March 31, 2011.

#### **(Cash Flows from Operating Activities)**

Net cash provided by operating activities totaled 1,005 million yen, an increase of 191 million yen from the same period last year. This was mainly due to an increase in notes and accounts payable-trade of 232 million yen (down 283 millions yen year-on-year) and an increase in other current liabilities of 456 million yen (up 293 millions yen year-on-year), despite the recording of net income before income taxes decreased from the same period last year.

#### **(Cash Flows from Investing Activities)**

Net cash used for investing activities totaled 65 million yen, a decrease of 33 million yen from the same period last year. This was mainly due to the payments for purchase of property, plant and equipment by 46 million yen.

#### **(Cash Flows from Financing Activities)**

Net cash used for financing activities totaled 1,116 million yen, an increase of 937 million yen from the same period last year. This was mainly due to the repayments of loans payable.

## **(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 half ended September 30, 2011

#### (1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31	As of September 30
	FY2010	FY2011
<b>Assets:</b>		
Current Assets:		
Cash and deposits	1,138,347	<b>962,020</b>
Notes and accounts receivable-trade	2,521,099	<b>2,459,009</b>
Merchandise and finished goods	59,493	<b>68,235</b>
Raw materials and supplies	1,582,927	<b>1,638,969</b>
Other	694,389	<b>610,825</b>
Allowance for doubtful accounts	(105,828)	<b>(112,342)</b>
Total Current Assets:	<b>5,890,429</b>	<b>5,626,718</b>
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,260,413	<b>2,154,426</b>
Machinery, equipment and vehicles, net	144,994	<b>152,463</b>
Land	8,979,529	<b>8,979,529</b>
Other, net	378,179	<b>362,734</b>
Total Property, Plant and Equipment:	<b>11,763,116</b>	<b>11,649,153</b>
Intangible Fixed Assets:		
Goodwill	849,383	<b>793,380</b>
Other, net	61,035	<b>59,751</b>
Total Property, Plant and Equipment:	<b>910,419</b>	<b>853,132</b>
Total Investments and Other Assets:	<b>1,842,705</b>	<b>1,775,095</b>
Total Fixed Assets:	<b>14,516,241</b>	<b>14,277,382</b>
<b>Total Assets:</b>	<b>20,406,670</b>	<b>19,904,101</b>
<b>Liabilities:</b>		
Current Liabilities:		
Notes and accounts payable-trade	867,782	<b>1,100,034</b>
Short-term loans payable	2,425,000	<b>1,650,000</b>
Accrued income taxes	242,661	<b>155,632</b>
Provision	31,753	<b>33,806</b>
Other	3,393,475	<b>3,792,624</b>
Total Current Liabilities:	<b>6,960,673</b>	<b>6,732,098</b>
Non-Current Liabilities:		
Bonds payable	—	<b>80,000</b>
Long-term loans payable	4,319,226	<b>3,938,364</b>
Provision for retirement benefits	1,329,172	<b>1,346,609</b>
Provision for directors' retirement benefits	177,555	<b>177,505</b>
Provision for disposal site closing expenses	289,414	<b>308,787</b>
Other	228,076	<b>215,255</b>
Total Non-Current Liabilities:	<b>6,343,445</b>	<b>6,066,522</b>
<b>Total Liabilities:</b>	<b>13,304,118</b>	<b>12,798,621</b>

(Thousands of Yen)

	As of March 31	As of September 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>(5,391,488)</b>
Treasury stock	(1,610,766)	<b>(1,610,754)</b>
Total Shareholders' Equity:	<u>7,039,624</u>	<b>7,039,591</b>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	32,620	<b>36,563</b>
Total Valuation and translation adjustments:	<u>32,620</u>	<b>36,563</b>
Minority Interests:	<u>30,307</u>	<b>29,325</b>
<b>Total Net Assets:</b>	<u>7,102,551</u>	<b>7,105,479</b>
<b>Total Liabilities and Net Assets:</b>	<u>20,406,670</u>	<b>19,904,101</b>

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

(Thousands of Yen)

	First Half	
	from April 1 to September 30	
	FY2010	FY2011
Net sales	14,609,175	15,452,659
Cost of sales	8,509,862	10,060,465
Gross profit	6,099,313	5,392,193
Selling, general and administrative expenses	4,966,845	5,125,462
Operating income	1,132,468	266,731
Non-operating income:		
Interest income	3,382	3,121
Dividends income	6,041	8,797
Land and house rent revenue	33,639	33,639
Other	17,306	19,626
Total non-operating income	60,370	65,185
Non-operating expenses:		
Interest expenses	97,665	87,537
Other	4,976	7,185
Total non-operating expenses	102,642	94,723
Ordinary income	1,090,195	237,193
Extraordinary income:		
Gain on sales of subsidiaries and affiliates' stocks	5,000	—
Reversal of allowance for doubtful accounts	2,427	—
Reversal of provision for bonuses	64,788	—
Total extraordinary income	72,216	—
Extraordinary loss:		
Loss on retirement of fixed assets	466	8,113
Loss on disaster	991	—
Loss on cancellation of lease contracts	485	1,458
Loss on adjustment for changes of accounting standard for asset retirement obligations	114,268	—
Total extraordinary loss	116,212	9,571
Income before income taxes and minority interests	1,046,200	227,621
Income taxes-current	134,014	105,923
Income taxes-deferred	104,474	122,400
Total income taxes	238,488	228,323
Income(loss) before minority interests	807,711	(702)
Minority interests in income (loss)	1,418	(657)
Net income (loss)	806,292	(44)

## (Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	First Half	
	from April 1 to Septemebr 30	
	FY2010	FY2011
Income (loss) before minority interests	807,711	(702)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	(12,173)	3,943
Total other comprehensive income	(12,173)	3,943
Comprehensive income	795,538	3,241
Comprehensive income attributable to		
Comprehensive income attributable to parent company	794,119	3,898
Comprehensive income attributable to minority interests	1,418	(657)

**(3) Consolidated Quarterly Statement of Cash Flows**

(Thousands of yen)

	First Half	
	From April 1 to September 30	
	FY2010	FY2011
<b>Net Cash Provided by (Used in) Operating Activities:</b>		
Income before income taxes	1,046,200	<b>227,621</b>
Depreciation and amortization	200,067	<b>177,430</b>
Loss on disaster	991	—
Increase (Decrease) in provision for retirement benefits	56,625	<b>17,437</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations	114,268	—
Amortization of goodwill	56,003	<b>56,003</b>
Increase (Decrease) in allowance for doubtful accounts	(2,938)	<b>7,188</b>
Interest and dividends income	(9,423)	<b>(11,919)</b>
Interest expenses	97,665	<b>87,537</b>
Loss on retirement of noncurrent assets	466	<b>8,113</b>
Decrease (Increase) in notes and accounts receivable-trade	(104,897)	<b>62,089</b>
Decrease (increase) in inventories	(372,239)	<b>(64,784)</b>
Increase (decrease) in notes and accounts payable-trade	(283,049)	<b>232,252</b>
Other, net	242,074	<b>484,500</b>
<b>Subtotal</b>	<b>1,041,817</b>	<b>1,283,469</b>
Interest and dividends income received	8,089	<b>11,570</b>
Interest expenses paid	(116,744)	<b>(83,149)</b>
Payments for loss on disaster	—	<b>(12,672)</b>
Income taxes paid	(126,422)	<b>(193,820)</b>
Income taxes refund	7,109	—
<b>Net cash provided by operating activities:</b>	<b>813,849</b>	<b>1,005,397</b>
<b>Net Cash Provided by (Used in) Investing Activities:</b>		
Purchase of property, plant and equipment	(105,416)	<b>(46,048)</b>
Purchase of investment securities	—	<b>(35,587)</b>
Other	5,960	<b>16,143</b>
<b>Net cash provided by investing activities:</b>	<b>(99,456)</b>	<b>(65,493)</b>
<b>Net Cash Provided by (Used in) Financing Activities:</b>		
Increase (decrease) in short-term loans payable	(3,545,000)	<b>(775,000)</b>
Proceeds from long-term loans payable	3,510,000	—
Repayment of long-term loans payable	(104,428)	<b>(380,862)</b>
Proceeds from issuance of bonds	—	<b>100,000</b>
Repayments of finance lease obligations	(38,673)	<b>(54,453)</b>
Other	(338)	<b>(5,915)</b>
<b>Net cash provided by financing activities:</b>	<b>(178,440)</b>	<b>(1,116,231)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>535,952</b>	<b>(176,326)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,254,960</b>	<b>1,138,347</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1,790,912</b>	<b>962,020</b>

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

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

**(5) Segment Information**

I . Prior first half (From April 1, 2010 to September 30, 2010)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers .....	8,681,554	1,322,216	4,605,404	14,609,175	-	14,609,175
(2)Internal sales among segments and transfer accounts. ....	-	-	-	-	-	-
Total .....	8,681,554	1,322,216	4,605,404	14,609,175	-	14,609,175
Operating income (loss) .....	2,260,491	117,226	(188,993)	2,188,725	(1,056,256)	1,132,468

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

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers .....	8,868,443	1,341,040	5,243,175	15,452,659	-	15,452,659
(2)Internal sales among segments and transfer accounts. ....	-	-	-	-	-	-
Total .....	8,868,443	1,341,040	5,243,175	15,452,659	-	15,452,659
Operating income (loss) .....	1,639,485	(12,064)	(270,473)	1,356,947	(1,090,216)	266,731

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

There is no significant change.

## 4. Supplemental Information

### Net Sales by Division

(Thousands of Yen)

	First Half		Changes	
	from April 1 to Septemebr 30			
	FY2010	FY2011		
Termite Eradication Service	2,567,822	<b>2,351,921</b>	(215,900)	
Under-Roof/Floor Ventilation System	1,887,125	<b>1,304,446</b>	(582,679)	
Foundation Repairing Treatment	1,205,852	<b>765,875</b>	(439,977)	
Home Reinforcement System	232,233	<b>193,089</b>	(39,144)	
Solar photovoltaic power generation system	1,215,958	<b>2,456,028</b>	1,240,069	
Other	1,572,561	<b>1,797,082</b>	224,521	
<b>Home Sanitation Division Total:</b>	8,681,554	<b>8,868,443</b>	186,888	
Anti-rust equipment installation	326,037	<b>224,655</b>	(101,381)	
Repair of building water-works	391,799	<b>412,462</b>	20,663	
Waterproofing of building	257,588	<b>208,776</b>	(48,811)	
Solar photovoltaic power generation system	1,690	<b>178,192</b>	176,502	
Other	345,100	<b>316,952</b>	(28,148)	
<b>Establishment Sanitation Division Total:</b>	1,322,216	<b>1,341,040</b>	18,824	
Industrial Waste (Waste plastic processing)	2,488,103	<b>2,912,627</b>	424,524	
Industrial waste (Organic Waste Water Recycle)	694,546	<b>822,254</b>	127,708	
Generation of electricity	690,953	<b>802,173</b>	111,219	
Final disposal	459,095	<b>394,130</b>	(64,965)	
Other	272,705	<b>311,989</b>	39,284	
<b>Environmental Resources Development Division Total:</b>	4,605,404	<b>5,243,175</b>	637,770	
<b>Total Net Sales:</b>	14,609,175	<b>15,452,659</b>	843,483	