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**Ticker: 4651**

**SANIX**



# Consolidated Financial Statements

## For the 3rd Quarter ended December 31, 2010

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**SANIX INCORPORATED**

February 14, 2011

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



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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 3rd Quarter



## Summary of 3rd Quarter

**In the first nine-month period (April to December 2010), both sales and income increased in comparison to the same period last year.**

<b>Net Sales</b>	<b>: 21,974 Million Yen</b>	<b>(Up 3,942 million yen compared to the same period last year)</b>
<b>Operating Income</b>	<b>: 1,138 Million Yen</b>	<b>(Up 968 million yen compared to the same period last year)</b>
<b>Ordinary Income</b>	<b>: 1,080 Million Yen</b>	<b>(Up 1,052 million yen compared to the same period last year)</b>
<b>Net Income</b>	<b>: 692 Million Yen</b>	<b>(Up 2,731 million yen compared to the same period last year)</b>

### ◆ 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 21.3%, due to increases in the number of customers and the volume of incoming waste plastic. Power sales rose by 32.5%, 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 5.8%. 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 25.7%. As a result, the Sanix Group's sales increased by 21.9%.

### ◆ 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.

## 3rd Quarter : Statement of Income

(Millions of Yen)	FY2009		FY2010					
	9-month		9-month					
	Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
Net Sales	18,031	100.0%	21,974	100.0%	121.9%	22,610	97.2%	(636)
HS	10,410	57.7%	12,775	58.1%	122.7%	13,276	96.2%	(501)
ES	1,891	10.5%	1,996	9.1%	105.5%	2,059	96.9%	(63)
ERD	5,729	31.8%	7,202	32.8%	125.7%	7,273	99.0%	(71)
Cost of Sales	10,667	59.2%	13,456	61.2%	126.1%	13,955	96.4%	(499)
Gross Profit	7,364	40.8%	8,517	38.8%	115.7%	8,654	98.4%	(136)
SG&A	7,195	39.9%	7,379	33.6%	102.6%	7,507	98.3%	(127)
Operation Income	169	0.9%	1,138	5.2%	673.2%	1,147	99.2%	(9)
Ordinary Income	27	0.2%	1,080	4.9%	—	1,083	99.7%	(3)
Net Sales	(2,039)	—	692	3.2%	—	676	102.4%	16

■ Sales in HS, ES and ERD Division grew compared to budget.

The Group's operating income was almost in line with the plan because, in the HS Division, sales of existing products with higher profit increased compared to the budget, despite sales of solar photovoltaic power generation system with lower profit margin fell short of budget.

## 3rd Quarter : Segment Information

(Millions of Yen)		FY2009		FY2010					
		9-month		9-month					
		Actual	% to last year	Actual	% of sales	% to last year	Projection	% of change	Difference
HS	Net Sales	10,410	92.5%	12,775	100.0%	122.7%	13,276	96.2%	(501)
	Gross Profit	6,507	86.3%	6,731	52.7%	103.5%	6,689	100.6%	42
	SG&A	3,869	78.2%	4,056	31.8%	104.8%	4,167	97.4%	(110)
	Op.Income	2,637	101.8%	2,675	20.9%	101.4%	2,522	106.0%	152
ES	Net Sales	1,891	80.4%	1,996	100.0%	105.5%	2,059	96.9%	(63)
	Gross Profit	789	91.0%	744	37.3%	94.3%	770	96.6%	(26)
	SG&A	640	69.1%	597	29.9%	93.3%	595	100.3%	1
	Op.Income	148	—	146	7.3%	98.6%	174	84.1%	(27)
ERD	Net Sales	5,729	98.9%	7,202	100.0%	125.7%	7,273	99.0%	(71)
	Gross Profit	68	—	1,041	14.5%	—	1,194	87.2%	(153)
	SG&A	1,158	114.0%	1,176	16.3%	101.6%	1,187	99.1%	(10)
	Op.Income	(1,089)	—	(135)	—	—	7	—	(142)
Group	Op.Income	(1,527)	—	(1,548)	—	—	(1,556)	—	8

## 3rd Quarter : Statement of Income

(Millions of Yen)		FY2010						
		1st Quarter		2nd Quarter		3rd Quarter		
		Actual	Difference (last year)	Actual	Difference (last year)	Actual	Projection	% of change
<b>Net Sales</b>	<b>7,274</b>	<b>986</b>	<b>7,334</b>	<b>1,565</b>	<b>7,364</b>	<b>8,001</b>	<b>92.0%</b>	<b>(636)</b>
<b>HS</b>	<b>4,403</b>	<b>477</b>	<b>4,277</b>	<b>991</b>	<b>4,093</b>	<b>4,595</b>	<b>89.1%</b>	<b>(501)</b>
<b>ES</b>	<b>649</b>	<b>1</b>	<b>672</b>	<b>91</b>	<b>674</b>	<b>737</b>	<b>91.4%</b>	<b>(63)</b>
<b>ERD</b>	<b>2,221</b>	<b>507</b>	<b>2,384</b>	<b>481</b>	<b>2,597</b>	<b>2,668</b>	<b>97.3%</b>	<b>(71)</b>
<b>Cost of Sales</b>	<b>4,157</b>	<b>548</b>	<b>4,352</b>	<b>1,071</b>	<b>4,946</b>	<b>5,445</b>	<b>90.8%</b>	<b>(499)</b>
<b>Gros Profit</b>	<b>3,117</b>	<b>437</b>	<b>2,981</b>	<b>493</b>	<b>2,418</b>	<b>2,555</b>	<b>94.6%</b>	<b>(136)</b>
<b>SG&amp;A</b>	<b>2,505</b>	<b>(107)</b>	<b>2,460</b>	<b>90</b>	<b>2,412</b>	<b>2,540</b>	<b>95.0%</b>	<b>(127)</b>
<b>Operation Income</b>	<b>611</b>	<b>544</b>	<b>520</b>	<b>402</b>	<b>5</b>	<b>15</b>	<b>37.0%</b>	<b>(9)</b>
<b>Ordinary Income</b>	<b>593</b>	<b>515</b>	<b>496</b>	<b>441</b>	<b>(9)</b>	<b>(6)</b>	<b>—</b>	<b>(3)</b>
<b>Net Income</b>	<b>440</b>	<b>356</b>	<b>365</b>	<b>389</b>	<b>(113)</b>	<b>(130)</b>	<b>—</b>	<b>16</b>

## 3rd Quarter : Segment Information

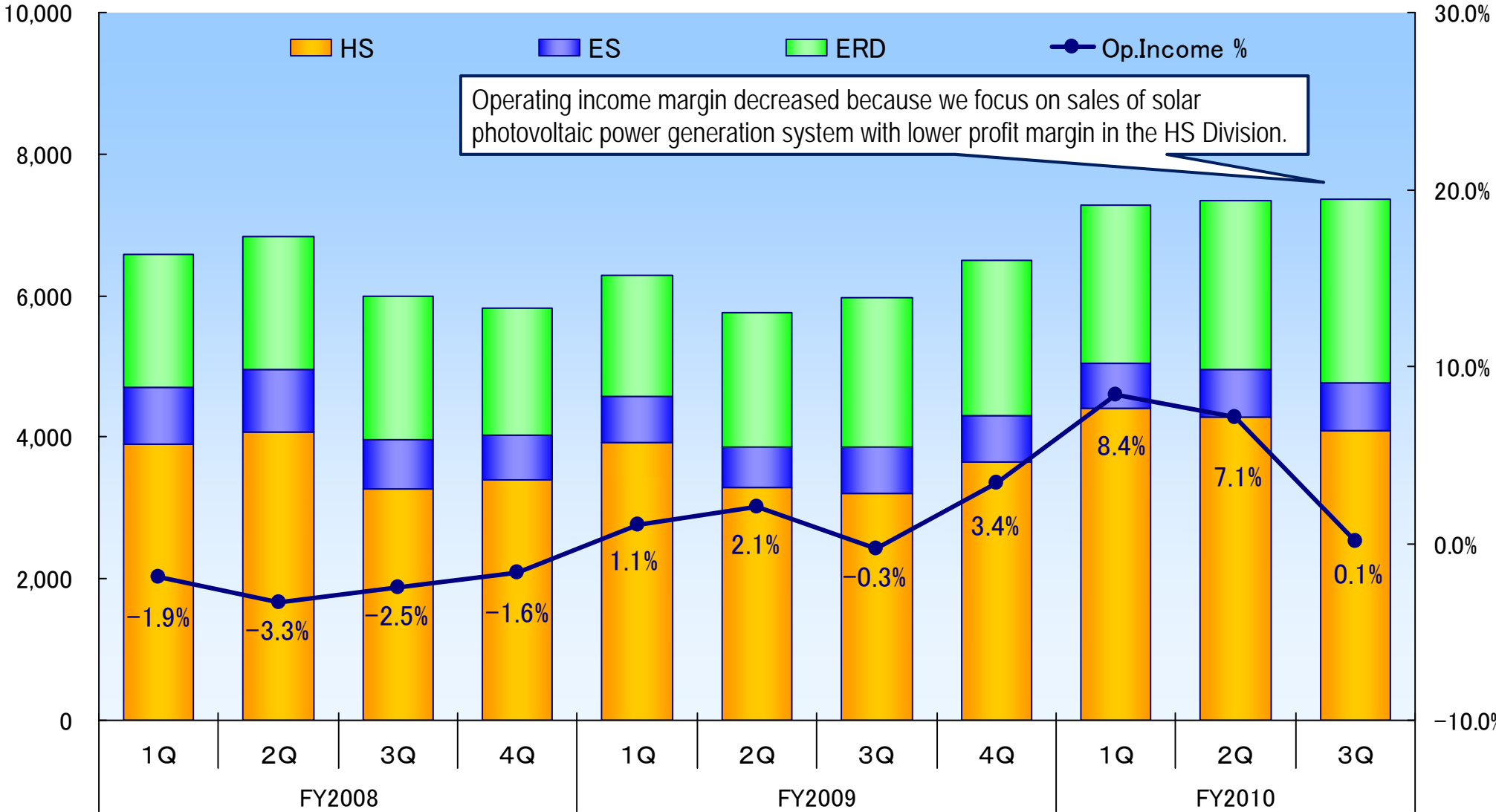
(Millions of Yen)		FY2010							
		1st Quarter		2nd Quarter		3rd Quarter			
		Actual	Diffenence (last year)	Actual	Diffenence (last year)	Actual	Projection	% of change	Difference
HS	Net Sales	4,403	477	4,277	991	4,093	4,595	89.1%	(501)
	Gross Profit	2,674	4	2,334	187	1,722	1,680	102.5%	42
	SG&A	1,388	(35)	1,360	64	1,308	1,418	92.2%	(110)
	Op.Income	1,285	39	974	122	414	262	158.2%	152
ES	Net Sales	649	1	672	91	674	737	91.4%	(63)
	Gross Profit	238	(35)	261	15	243	269	90.3%	(26)
	SG&A	182	(46)	200	(12)	214	212	100.8%	1
	Op.Income	55	11	61	27	29	56	51.3%	(27)
ERD	Net Sales	2,221	507	2,384	481	2,597	2,668	97.3%	(71)
	Gross Profit	204	468	385	290	451	604	74.7%	(153)
	SG&A	383	(16)	395	26	397	408	97.5%	(10)
	Op.Income	(179)	484	(9)	263	53	196	27.4%	(142)
Group	Op.Income	(551)	9	(505)	(11)	(492)	(500)	—	8



# FY2010 : Quarterly Segment Information

## Net Sales by Segment and Operating Income Margin

(Millions of Yen)



Operating income margin decreased because we focus on sales of solar photovoltaic power generation system with lower profit margin in the HS Division.

## 3rd Quarter : HS Division

■ Operating Income increased compared to the budget, despite sales of solar photovoltaic power generation system fell short of budget.

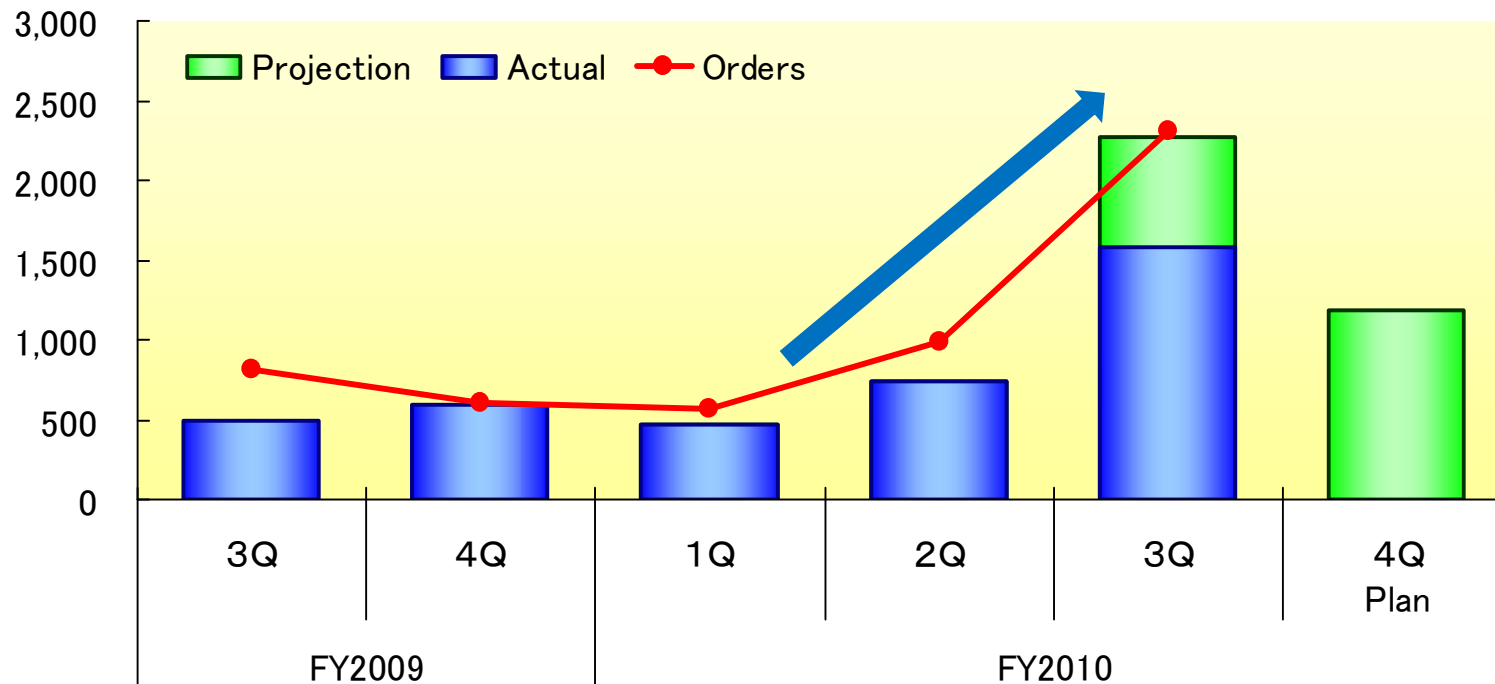
In the sales of solar photovoltaic power generation systems, we failed to achieve the target, because it took longer than expected to open sales offices for wholesale distribution to dealers, and it also required a fair amount of time to apply for subsidies and manage installation schedules, since orders for direct sales to our existing customers increased too sharply, although these orders exceeded the target. Operating income was 6.0% over the budget, reaching 2,675 million yen, due to increased sales of existing products with high profit margins compared the budget.

(Millions of Yen)	FY2009	FY2010				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
<b>Total Net Sales</b>	<b>10,410</b>	<b>12,775</b>	<b>122.7%</b>	<b>13,276</b>	<b>96.2%</b>	<b>(501)</b>
Termite Eradication Service	3,714	3,399	91.5%	3,406	99.8%	(6)
Under-Floor/-Roof Ventiration System	2,281	2,397	105.1%	2,345	102.2%	52
Foundation Repairing Treatment	1,981	1,606	81.1%	1,567	102.5%	38
House Reinforcement System	272	309	113.7%	290	106.8%	19
Solar Photovoltaic Power Generation System	489	2,797	571.8%	3,491	80.1%	(694)
Other	1,671	2,264	135.5%	2,176	104.1%	88
<b>Operating Income</b>	<b>2,637</b>	<b>2,675</b>	<b>101.4%</b>	<b>2,522</b>	<b>106.0%</b>	<b>152</b>

## 3rd Quarter : Solar Photovoltaic Power Generation System

### ■ Quarterly Net Sales of solar photovoltaic power generation system

(Millions of Yen)



### Latest trend in the HS Division

With a subsidy program for home-use solar photovoltaic power generation systems being included in the government's supplementary budget, we started focusing on sales of solar photovoltaic power generation systems from January 2011 in direct sales to our existing customers.

Because it takes a certain period of time from applying for the subsidy to completion of the installation of the product, sales for January 2011 will be lower than December 2010, but sales increases will be reflected in the figures from February 2011.

### ■ Sales of solar photovoltaic power generation system

- The Group begun full-dress sales activities for current customers from October, 2010. In the sales of solar photovoltaic power generation systems, we failed to achieve the target, although these orders exceeded the target.
- We opened seven sales offices for wholesale distribution to dealers by the end of 2010, although the opening was slightly behind schedule. We will strive to promote sales further.

### 【Reference】

Orders on January, 2011  
(Direct sales to current customers)

1,121 millions of Yen

## 3rd Quarter : ES Division

■ The revenue from anti-rust equipment installation exceeded the budget, but both sales and income fell below budget.

The ES Division concentrated its resources on marketing to corporate customers, such as building and condominium management companies and deepening relationships with business partners. Therefore, revenue from anti-rust equipment installation exceeded the budget due to an increase of orders. However, total net sales fell short of budget because sales of other product fell short of budget. With total net sales falling below budget, operating income was 146 million yen, down 15.9% compared to budget.

(Millions of Yen)	FY2009	FY2010				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
<b>Total Net Sales</b>	<b>1,891</b>	<b>1,996</b>	<b>105.5%</b>	<b>2,059</b>	<b>96.9%</b>	<b>(63)</b>
Anti-Rust Equipment Installation	495	515	104.0%	506	101.7%	8
Repair of Building Water-works	650	582	89.4%	592	98.2%	(10)
Waterproofing of Building	142	357	250.7%	385	92.5%	(28)
Solar Photovoltaic Generation System	—	52	—	66	79.3%	(13)
Others	602	488	81.1%	507	96.4%	(18)
<b>Operating Income</b>	<b>148</b>	<b>146</b>	<b>98.6%</b>	<b>174</b>	<b>84.1%</b>	<b>(27)</b>

## 3rd Quarter : ERD Division

■ Sales increased from the same period last year. We returned to the black on a quarterly basis, but were still in the red on a cumulative basis.

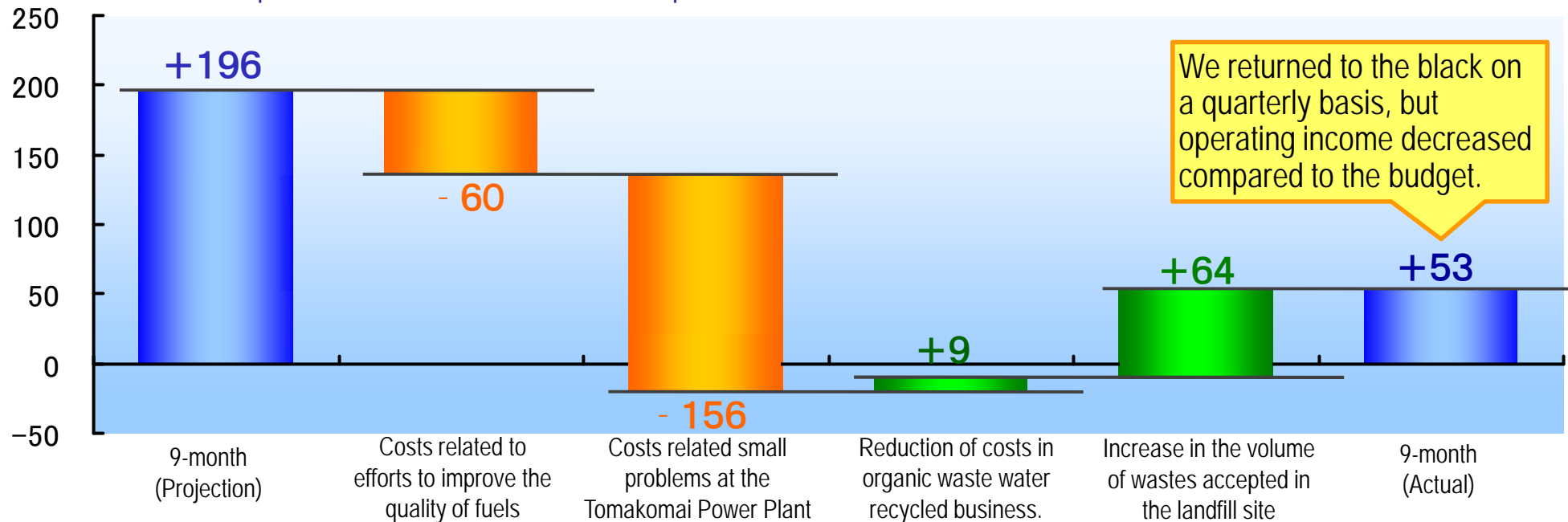
Although we decided to postpone the planned suspension of operations in the third quarter of fiscal 2010 at the Tomakomai Power Plant judging from the operation situation in the second quarter of fiscal 2010, we urgently inspected the inside of the boiler because of the occurrence of a small problem due to a fuel quality issue. Consequently, we saw sales decline compared to the target, because the number of operating days fell short of the predicted figures. Operating income decreased compared to the target due to a decline in revenue from the Tomakomai Power Plant and an increase in costs related to efforts to improve fuel quality, although earnings showed a trend toward recovery.

(Millions of Yen)	FY2009	FY2010				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	5,729	7,202	125.7%	7,273	99.0%	(71)
Waste Plastic Recycled	3,150	3,820	121.3%	3,862	98.9%	(41)
Organic Waste Water Recycled	1,135	1,070	94.2%	1,083	98.7%	(13)
Power Generation	862	1,143	132.5%	1,255	91.1%	(111)
Final Disposal	216	710	327.8%	655	108.5%	55
Others	364	457	125.6%	417	109.6%	40
Operation Income	(1,089)	(135)	—	7	—	(142)

## 3rd Quarter : Analysis of a decrease in op. income in comparison to the budget in the ERD Division

■ ERD Division : Op. Income in the first nine-month period

(Millions of Yen)



We returned to the black on a quarterly basis, but operating income decreased compared to the budget.

**\* Waste Plastic Recycled**

Although sales was in line with our budget, operating income was lower than expected, because costs increased due to efforts to improve the quality of fuel supplied to the Tomakomai Power Plant and outside customers.

**\* Power Generation**

We saw sales and income decline compared to the target because the number of operating days fell short of the predicted figures by the occurrence of a small problem due to a fuel quality issue.

**\* Organic Waste Water Recycled**

Operating income increased compared to the budget due to reduction of cost of sales and SGA despite the unit price of organic waste water accepted decreased.

**\* Final Disposal**

Operating income increased compared to budget due to increase in the volume of incoming wastes from outside of SANIX group company.

## Forecast for FY2010



## Forecast for FY2010

### Forecast for consolidated FY 2010

<b>Net Sales</b>	<b>:</b>	<b>30,000 Million Yen</b>	<b>( the same period last year :</b>	<b>24,539 million yen)</b>
<b>Operating Income</b>	<b>:</b>	<b>1,300 Million Yen</b>	<b>( the same period last year :</b>	<b>390 million yen)</b>
<b>Ordinary Income</b>	<b>:</b>	<b>1,230 Million Yen</b>	<b>( the same period last year :</b>	<b>224 million yen)</b>
<b>Net Income</b>	<b>:</b>	<b>900 Million Yen</b>	<b>( the same period last year :</b>	<b>-3,676 million yen)</b>

### Key Points of Operational Forecasts for the Fiscal 2010

#### ◆ HS Division

With a subsidy program for home-use solar photovoltaic power generation systems being included in the government's supplementary budget, We will continue to promote sales of the product aggressively while steadily improving the efficiency of installation procedures in direct sales to our existing customers as well as the structure of our sales organization in terms of wholesale distribution to dealers.

#### ◆ ES Division

The ES Division kept in the black despite lower income and earnings compared to budget in the nine month period. Hereafter, we will foster Solar Photovoltaic power generation System as the second mainstay.

#### ◆ ERD Division

We will try to improve profitability further through cost reduction and stable continuous operation of the Tomakomai Power Plant due to efforts to improve the quality of fuels in the waste plastic recycled



## FY2010 : Statement of Income (Projection)

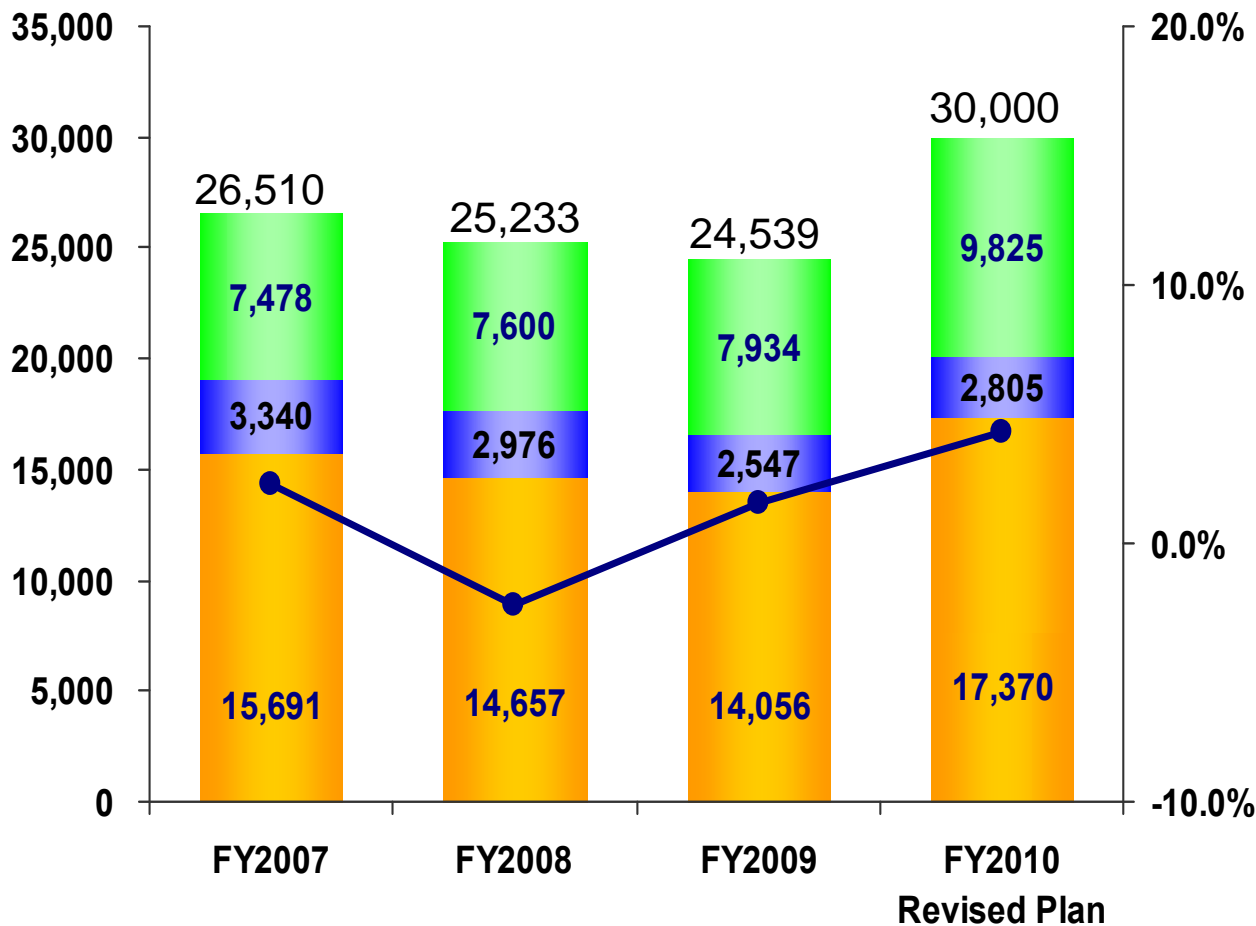
\*There is no change for business results forecast.

(Millions of Yen)	FY2010								
	1st Half			2nd Half			Full Year		
	Actual	% to last year	Difference	Projection	% to last year	Difference	Projection	% to last year	Difference
<b>Net sales</b>	<b>14,609</b>	<b>121.2%</b>	<b>2,551</b>	<b>15,390</b>	<b>123.3%</b>	<b>2,909</b>	<b>30,000</b>	<b>122.3%</b>	<b>5,460</b>
<b>HS</b>	<b>8,681</b>	<b>120.4%</b>	<b>1,468</b>	<b>8,688</b>	<b>126.9%</b>	<b>1,844</b>	<b>17,370</b>	<b>123.6%</b>	<b>3,313</b>
<b>ES</b>	<b>1,322</b>	<b>107.6%</b>	<b>93</b>	<b>1,482</b>	<b>112.4%</b>	<b>164</b>	<b>2,805</b>	<b>110.1%</b>	<b>257</b>
<b>ERD</b>	<b>4,605</b>	<b>127.4%</b>	<b>989</b>	<b>5,219</b>	<b>120.9%</b>	<b>900</b>	<b>9,825</b>	<b>123.8%</b>	<b>1,890</b>
<b>Cost of Sales</b>	<b>8,509</b>	<b>123.5%</b>	<b>1,620</b>	<b>10,090</b>	<b>130.5%</b>	<b>2,358</b>	<b>18,600</b>	<b>127.2%</b>	<b>3,978</b>
<b>Gross Profit</b>	<b>6,099</b>	<b>118.0%</b>	<b>930</b>	<b>5,300</b>	<b>111.6%</b>	<b>551</b>	<b>11,400</b>	<b>114.9%</b>	<b>1,481</b>
<b>SG&amp;A</b>	<b>4,966</b>	<b>99.7%</b>	<b>(16)</b>	<b>5,133</b>	<b>113.0%</b>	<b>588</b>	<b>10,100</b>	<b>106.0%</b>	<b>572</b>
<b>Operating Income</b>	<b>1,132</b>	<b>612.1%</b>	<b>947</b>	<b>167</b>	<b>81.6%</b>	<b>(37)</b>	<b>1,300</b>	<b>333.1%</b>	<b>909</b>
<b>Ordinary Income</b>	<b>1,090</b>	<b>815.1%</b>	<b>956</b>	<b>139</b>	<b>153.4%</b>	<b>48</b>	<b>1,230</b>	<b>547.0%</b>	<b>1,005</b>
<b>Net Income</b>	<b>806</b>	<b>—</b>	<b>745</b>	<b>93</b>	<b>—</b>	<b>3,830</b>	<b>900</b>	<b>—</b>	<b>4,576</b>

# FY2010 : Whole Group

## ■ Net Sales by Segment and Operating Income Margin

(Millions of Yen)



**Forecast for FY2010**

**Net Sales : 30,000MY**

**Op. Income : 1,300MY**

**Op. Income % : 4.3%**

