SANIX INCORPORATED

Consolidated Financial Summary

For the Fiscal Year ended March 31, 2011

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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.

May 11, 2011

Consolidated Financial Statements

For the Fiscal year ended March 31, 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
President and CEO:	Shin-ichi Munemasa
Contact:	Masahiro Shimojo, Managing Director, Management and Planning Division

1. Consolidated Financial Highlights for the Year ended March 31, 2011

(April 1, 2010 to March 31, 2011)

(1) Consolidated Operating Results

(Millions of Yen)

	Fiscal Year between April 1 and March 31			
	FY2009	% change	**FY2010**	**% change**
Net Sales	24,539	(2.8%)	**28,979**	**18.1%**
Operating Income	390	-	**501**	**28.6%**
Recurring Profit	224	-	**430**	**91.2%**
Net Income	(3,676)	-	**49**	**-**
Net Income per Share(¥)	(¥77.06)	-	**¥1.04**	**-**
Net Income per Share, Diluted(¥)	-	-	**-**	**-**
Return on Equity	(41.5%)	-	**0.7%**	**-**
Ratio of Recurring Profit to Net Assets	1.1%	-	**2.1%**	**-**
Ratio of Operating Income to Net Sales	1.6%	-	**1.7%**	**-**
(Reference) Comprehensive income	(3,675)	-	**48**	**-**

(2) Consolidated Financial Position

(Millions of Yen)

	As of March 31	
	FY2009	**FY2010**
Total Assets	19,995	**20,406**
Net Assets	7,054	**7,102**
Shareholders' Equity Ratio (%)	35.1%	**34.7%**
Net Assets per Share (¥)	¥147.24	**¥148.24**

Note (1) Shareholders’ equity

Fiscal Year ended March 31, 2011	7,072 million yen
Fiscal Year ended March 31, 2010	7,024 million yen

(3) Consolidated Financial Cash Flows

(Millions of Yen)

	Fiscal Year from April 1 to March 31	
	FY2009	**FY2010**
Cash Flows from Operating Activities.	563	**54**
Cash Flows from Investing Activities.	(2,304)	**(214)**
Cash Flows from Financing Activities.	1,946	**42**
Balance of Cash and Cash Equivalents at End of Period. .	1,254	**1,138**

2. Dividends

	Fiscal Year from April 1 to March 31		
	FY2009	**FY2010**	FY2011(Forecast)
Dividend per Share at the end of 1st Half (￥). . .	¥0.00	**¥0.00**	¥0.00
Dividend per Share at the end of the year (￥). . .	¥0.00	**¥0.00**	¥0.00
Annual dividend per Share (￥).	¥0.00	**¥0.00**	¥0.00
Total dividend.	−	−	−
Pay-out ratio (%).	−	−	−
Ratio of dividend to total capital (%).	−	−	−

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2012) (Millions of Yen)

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

4. Others

(1) Changes in significant subsidiaries during FY2010: No

(2) Changes in accounting principles, procedures, and the presentation

1) Changes due to revisions of accounting standards etc: Adopted

2) Changes other than 1): No

(3) Number of Shares Issued and Outstanding (Shares)

	As of March 31	
	FY2009	**FY2010**
Number of shares issued and outstanding at period end.	48,919,396	**48,919,396**
Number of treasury stocks at period end.	1,209,971	**1,210,021**
Average Number of shares outstanding during the priod.	47,709,594	**47,709,429**

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

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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I. Business Results

1. Earnings

(1) Current Fiscal Year Overview

In the current consolidated fiscal year, the employment and income environment continues to be difficult, although business confidence has been recovering moderately. The outlook for the Japanese economy was increasingly uncertain because the Great East Japan Earthquake that struck on March 11, 2011 seriously damaged eastern Japan, mainly the Tohoku region, adversely affecting the domestic economy as a whole.

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, reducing costs and implementing other streamlining measures to improve profitability.

On April 22, 2010, in the fiscal year ended March 31, 2011, the Group laid out “Spring Plan 2012,” its medium-term management plan for fiscal years 2010 to 2012. In the fiscal year ended March 31, 2010, the Group began marketing a new product, Solar Photovoltaic Power Generation System, and acquired a landfill site in Hokkaido. Before moving into a new business phase, management decided to get the Group back on track for a full-fledged growth by reviewing the direction of the Group’s business strategy. Meanwhile, the Environment Resources Development Division is expecting its profitability to improve because the Sanix Energy’s Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) terminated a wholesale contract with an existing purchaser and signed a new contract with another purchaser under better conditions to supply electricity from June 1, 2010.

However, the ERD Division’s Tagajo plant (Tagajo City, Miyagi Prefecture) is forced to suspend operations because its facilities suffered inundation damage from the tsunami caused by the Great East Japan Earthquake. Regarding the HS Division’s business, the Division suffered a negative impact including cancellation of wholesale distribution of photovoltaic power generation systems to dealers in eastern Japan and temporary postponement of photovoltaic power generation system installations from March to April in western Japan because of the general confusion after the earthquake.

In the current consolidated fiscal year, 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 last year. The Group’s total sales amounted to 28,979 million (18.1% increase year-on-year).

Regarding incomes, oeprating income in the HS Division and the ES Division decreased, but a loss in the ERD Division has reduced greatly. The Group recorded an extraordinary loss of 114 million yen, because “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21) shall be applied from fiscal years beginning on or after April 1, 2010. In addition, the Group posted an loss on disaster of 35 million yen, which the amount of loss that the Group was able to determine at the present moment by the Great East Japan Earthquake. As a result, the Group reported operating income of 510 million yen (operating income of 390 million yen for the last year), ordinary income of 430 million yen (ordinary lincome of 224 million yen for the last year) and net lincome of 49 million yen (net loss of 3,676 million yen for the last year).

Consolidated Operating Results	FY2009	FY2010	Rate of Change(%)	Diference
Net Sales	24,539	28,979	18.1	4,440
Operating Income	390	501	28.6	111
Ordinary Income	224	430	91.2	205
Net Income	(3,676)	49	—	3,725

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 and Under-Roof/Floor Ventilation Systems declined by 14.2% and 14.3% from the last year amid sluggish consumer spending. Sales in Foundation Repair Treatment and Reinforcement Services declined by 31.9% from the last year, since the first-round effects of the sales campaign has ended. Meanwhile, sales of Solar Photovoltaic Power Generation System, which the Group began marketing from October 2009,.increased by 384.1% from the last year because we focused on sales of that for fostering as the mainstay. Consequently, sales in the HS Division amounted to 16,656 million yen (up 18.5% from the last year).

Regarding operating margins, the Division promoted downsizing to reduce fixed costs, the Division's operating income decreased by 22.5% year-on-year to 2,607 million yen, since the Division has begun marketing the "Solar Photovoltaic Power Generation System" with a thinner profit-margin than the existing products. The operating-income-to-sales ratio stands at 15.7% (23.9% 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 in the Tokyo, Nagoya, and Fukuoka areas to improve business efficiency and recover profitability. Consequently, the ES Division's operating income amounted to 153 million yen (down 27.2% year-on-year) on net sales of 2,811 million yen (up 10.3% from the last year). This was because the constituent ratio of the Waterproofing of Building and the Solar Photovoltaic Power Generation System, which are less profitable than other products, rose; however fixed costs decreased due to the Division's costs-reduction efforts.

Environmental Resources Development Division

Sales in Waste Plastic Processing increased by 16.9% (year-on-year), due to increases in the number of customers and volume of plastic brought in, though the processing unit price was lowered to cope with customers' demands for reduced prices during the economic slump. Power Sales increased by 11.9% year-on-year because the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) reduced the regular maintenance period compared to the previous year and began supplying electricity to a new purchaser under better conditions from June 2010. Sales in Organic Liquid Waste Processing fell by 2.1% (year-on-year), since the volume of wastewater brought in from the restaurant industry and food processing factories decreased due to the slowing economy. The Group posted sales in Landfill Operations because it acquired a landfill site in the third quarter of the previous fiscal year. As a result, sales in the ERD Division amounted to 9,511 million yen (up 19.9% from the last year).

The Division saw operating loss decrease to 215 million yen (operating loss of 1,112 million yen for the last year) because its efforts to increase productivity and reduce costs paid off.

(2) Prospect for Next Year

In the fiscal year ending March 2012, Sanix will aim to establish a "lean business structure" by continuously improving earnings structure, striving to turn business around by upgrading its compliance system to "enhance customer satisfaction."

In the HS Division, sales of the existing products are expected to decrease compared with the previous fiscal year, since consumer spending is estimated to remain sluggish, although there have been signs of economic recovery. Regarding the Solar Photovoltaic Power Generation System, the Division expects sales to expand steadily due to effects of the central and local governments' home-use solar photovoltaic power generation subsidy program and rise of social consideration for electricity shortage and renewable energy resulted from the Great East Japan Earthquake.

In the ES Division, the Company will try to improve profitability by strengthening sales activities targeted at corporate customers such as building and condominium management companies in Tokyo, Nagoya and Fukuoka areas and striving to promote sales of the Solar Photovoltaic Power Generation System for housing complex.

In the ERD Division, the volume of waste plastic brought in is expected to decrease in some plants in the first quarter of the next fiscal year (ending March 2012), due to suspended operations at the Tagajo plant caused by the Great East Japan Earthquake and a decline in operations of companies that provide waste plastic due to subsequent confusion in the supply chain. However, the ERD Division expects sales to grow steadily through the next fiscal year because the situation is estimated to turn around gradually from the second quarter of the next fiscal year. Regarding the Power Sales business, the ERD Division strengthened its efforts to improve the quality of plastic used as fuel through strict sorting at its waste plastic recycling plants from the second half of the previous fiscal year. The Company estimates profitability will improve in the next fiscal year because the enhanced efforts are expected to lead to stable and continuous operation of the Tomakomai Power Plant, resulting in increased revenue from Power Sales and a decline in repair expenses for plant operations. As a result, the Division expects operating income to return to the black.

As a result, the Group expected net sales of 38,000 million yen, operating income of 1,300 million yen, ordinary income of 1,250 million yen, net income of 830 million yen.

(3) Progress of Mid-term Business Plan

On April 22, 2010, the SANIX Group announced "*Spring Plan 2012*", its medium-term business plan for three years from the year ended March 31, 2011 through the year ending March 31, 2013.

In the plan, going back to the starting point of our mission, "Create clean and comfortable living environments for various spaces," the Group will establish a foundation for further growth by having three divisions - HS Division, ES Division and ERD Division - work together to meet growing social needs regarding the environment.

In the HS Division, we aim to foster "Solar Photovoltaic Power Generation System" that we began marketing as the mainstay in the division and expand our domestic market share with the price competitiveness. And we also aim to shed dependence on the door-to-door sales and strengthen corporate sales and wholesales. In the ES Division, we try to maintain and upgrade our lean structure to secure profits based on streamlining through "selection and concentration." In the ERD Division, we seek to further increase the volume of waste plastic accepted that has been on the rise and grow the division as one of the Company's prime revenue streams by stably operating the power plant and changing electricity purchasers.

By the end of the final year of the med-term business plan, we will complete establishing a business base for a full-fledged growth in the future.

2. Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets amounted to 20,406million yen at the end of the current consolidated fiscal year, a increase of 410 million yen from the end of the previous consolidated fiscal year. Liabilities amounted to 13,304 million yen, an increase of 362 million yen from the end of the previous consolidated fiscal year. Net assets totaled 7,102 million yen, a increase of 48 million yen from the end of the previous consolidated fiscal year. Consequently, the ratio of owners' equity was 34.7%.

(Assets)

Current assets increased 14.3% from the end of the previous year to 5,890 million yen. This is primarily because inventories and notes and accounts receivable-trade increased by 421 million yen and 465 million, although cash and deposits decreased by 116 million yen.

Fixed assets decreased 2.2% to 14,516 million yen. This is primarily because lease and guarantee deposits decreased by 140 million yen.

(Liabilities)

Current liabilities increased 25.5% from the end of the previous year to 6,960 million yen. This is primarily because current portion of long-term loans payable increased by 452 million yen due to loan refinancing, but short-term loans payable decreased by 2,920 million yen.

Fixed liabilities increased by 76.3% to 6,343 million yen. This is mainly because long-term loans payable increased by 2,593 million yen.

(Net Assets)

Net assets decreased 0.7% to 7,102 million yen, mainly due to a net income of 49 million.

(2) Cash Flows

As of March 31, 2011, cash and cash equivalents totaled 1,138 million yen on a consolidated basis, an increase of 116 million yen from as of March 31, 2010.

(Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 54 million yen (decrease of 508 million yen from the last year), mainly due to income before income taxes of 352 million yen, despite increase in notes and accounts receivable-trade of 465 million yen and increase in inventories of 425 million yen ,and non-cash outflow items such as depreciation and amortization expenses of 415 million yen and amortization of goodwill of 112 million yen were included.

(Cash Flows from Investing Activities)

Net cash used in investment activities amounted to 214 million yen (increase of 2,090 million yen from the last year) mainly due to purchase of property, plant and equipment of 175 million yen and purchase of stocks of subsidiaries and affiliates of 40 million yen.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to 42 million yen (decrease of 1,903 million yen from the last year) mainly due to an increase in loans payable related to material procurement of Solar Photovoltaic Power Generation System.

The Cash Flow Indicators:

	FY2006	FY2007	FY2008	FY2009	FY2010
Shareholders' equity ratio	53.6%	57.2%	51.3%	35.1%	34.7%
Shareholders' equity ratio on a market price basis	30.4%	41.8%	19.9%	42.1%	55.6%
Interest-bearing liabillities ratio to cash flow	—	5.05	—	13.10	136.73
Interest coverage ratio	—	6.55	—	3.60	0.29

(Note) Shareholders’ equity ratio: Shareholders' equity/Total assets

Share ratio on a market price basis: Total market value of stock/Total assets

Interest-bearing liabillities ratio to cash flow: Operating cash flow/Interest payment

Interest coverage ratio: Operating cash flow/Interest payment

1. Each indicator is calculated based on consolidated financial results.
2. Total market value of stock is calculated by: closing price at the year-end x outstanding shares at the year-end.
3. The operating cash flow in this table is cash flow from operating activities reported on the consolidated cash flow statement. Interest-bearing liabilities cover all liabilities reported on the consolidated balance sheet for which interest is paid. Interest payment used in the calculation of the interest coverage ratio is the amount of interest expense reported on the consolidated cash flow statement.
4. Interest-bearing liabillities ratio to cash flow and interest coverage ratio data are not included in the table above for the year ended March 2007 and 2009 as the operating cash flow was negative in these years.

3. Basic Corporate Policy for Profit Distribution

SANIX operates its business focusing on the return profit to shareholders. One of our business policies is to increase dividends to shareholders by expanding the scope of our operators and improving earnings, while ensuring stable dividends based on the ratio according to shareholders’ equity and other factors.

However, during the current year, the Company will not pay dividends for the year, considering retained earnings are negative, though the Company was able to record net income in the current consolidated fiscal year. The Company will strive for further improvement of operating results so that it can make stable distribution of profits to shareholders in the next fiscal year, meeting shareholders’ expectations, based on operating results and future plans for business development.

4. Business and Other Risks

Major risks that may affect the operating results and business of the SANIX Group are described below. Recognizing the possibility of occurrence of these risks, the SANIX Group endeavors to take proper measures to avert these risks and minimize the impact in the event of occurrence.

Certain future-related statements included in this document are estimates made by the Company based on the information available at the end of the current fiscal year.

(1) Laws and regulations concerning door-to-door-sales

Sales activities of the HS Division are mainly conducted by the door-to-door calls, which should be made in compliance with, and are subject to restrictions of, the Specific Commercial Transactions Law and the Consumer Contract Law. These laws and regulations are becoming severer lately, from the viewpoint to strengthen the protection for consumers. The Company ensures compliance with applicable laws and regulations in order to protect our customers. However, if the Division fails to comply with the current and future laws and regulations applicable to its businesses, the operating results or financial position of the Division may be negatively impacted.

(2) Movement in the door-to-door-sales industry

Any further detection of dishonest housing improvement operators, and subsequent reports in the media might have a negative impact on the Company's future business.

(3) Laws and regulations concerning waste treatment

The businesses of the ERD Division require certain approvals and permits of administrative authorities, should satisfy environmental emission standards and should comply with the provisions of laws and regulations concerning waste treatment. If the Division fails to comply with the current and future laws and regulations applicable to its businesses, or if revenue expansion is offset by a huge amount of costs necessary to comply with severer regulations, the operating results or financial position of the Division may be negatively impacted.

(4) Retention and development of human resources

The SANIX Group must recruit, retain and develop a number of competent workers engaged in sales, engineering and other functions in order to identify potential needs of customers, and to conduct operations of execution of contracts, service applications and customer control. The SANIX Group endeavors to recruit, retain and develop excellent workers through the adoption of the ability-based and performance-based personnel management policy, recruitment of experienced workers in addition to the recruitment of new school graduates, and provision of various training and education programs. However, the operating results of the Company may be negatively affected by a decline in the number of employees resulting from resigning of existing workers, lowering of productivity due to the addition of new workers.

(5) Resource recycling power generation system

The SANIX Energy Tomakomai Power Plant plays a core part in the Company's resource-recycling power plant business, using waste plastics as its fuel. As a result of the reinforcement of its disaster prevention system and improvement and maintenance of the waste plastic fuel quality, the Tomakomai Plant has maintained consistent operation since August 2007. However, since the fuel is reprocessed from waste plastic, its quality or nature is not always uniform, which may give adverse effect on the stable and continuous operation of the power plant, and, in turn, on the operating results and financial position of the Company.

(6) Industrial accident/ disaster

The SANIX Group endeavors to achieve accident-free and disaster-free operations in all aspects of its businesses. However, if a material industrial accident or disaster occurs in any plant of the SANIX Group, its reputation in society will be damaged, payment of compensations for damage and other costs will be incurred to respond to such accident/disaster. In addition, during the suspension of operation caused by such accident/disaster, the Company will incur opportunity loss, which may have negative impact on the operating results and financial position of the Company.

(7) Market circumstance for waste plastics and trend of the demands/supply at the JEPX

In the ERD Division, processing unit price for waste plastic may be influenced by each occasion market circumstance. Regarding Power Generation in Tomakomai Power Plant, the unit prices traded at the JEPX are fluctuating according to the demands/supply balance. As a result, a decrease more than assumption in processing unit price for waste plastic and the unit prices for selling of electoricity may have a prejudicial influence on achievement and finance.

II. Group Outline

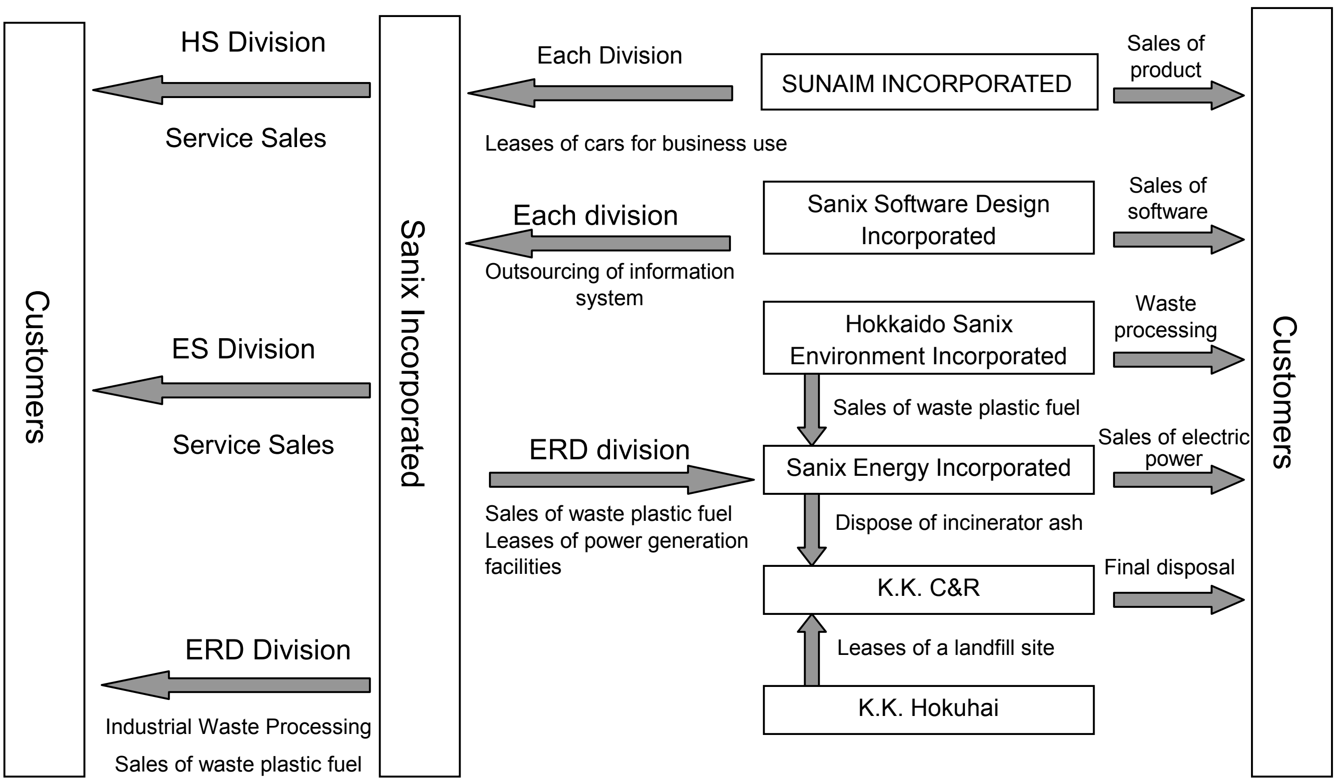
The SANIX Group is composed of SANIX Incorporated and 8 subsidiaries. SANIX's core businesses are residential environmental sanitation and maintenance, sanitation services for office buildings, intermediate processing of industrial waste and electricity generation with a focus on recycling resources.
These businesses are operated by each group company as shown below.

HS Division: The Company offers environmental sanitation services for ordinary houses. The main services and products are Termite Eradication Service, Foundation Repairing Treatment, Under-Roof/Floor Ventilation System, and Solar Photovoltaic Power Generation System.

ES Division: The Company offers environmental sanitation services for offices and condominium. The main services are Anti-rust equipment installation, Repair of building water-works and Waterproofing of building.

ERD Division: The Company is engaged in the intermediary processing business, mainly recycling industrial wastes. The Company sells waste plastic fuel processed at its plastic recycling plants to its consolidated subsidiary companies including Sanix Energy Incorporated. Sanix Energy generates and sells electricity by using waste plastic fuel as its main fuel, purchased from Sanix and Hokkaido Sanix Environment Incorporated, Sanix's consolidated subsidiary. K.K. C&R, Sanix's consolidated subsidiary, disposes of incinerator ash from Sanix Energy. K.K. Hokuhai, Sanix's consolidated subsidiary, leases facilities including a landfill site to K.K. C&R.

The Company purchases chemicals used in each division, and leases vehicles for operations, from Sunaim Incorporated, its consolidated subsidiary. The Company purchased information system services relating to each of its divisions from Sanix Software Design Incorporated.



III. Business Policies

1. Fundamental Business Policies

Our corporate mission since our founding has been “Cleaning Up and Sanitizing Our Environment.” Under this concept, we have provided a broad range of environmental sanitation services to society. SANIX offers residential and commercial environmental sanitation services, and facility maintenance services for office buildings, apartment buildings, and other facilities. It is also engaged in industrial waste processing, focusing chiefly on waste recycling; and electricity generation utilizing recycled plastic waste.

In these three areas, SANIX is aggressively developing its ecological business by exploring latent demand, improving services and technology and constantly tailoring services to best suit customer needs. In operating these businesses, SANIX is endeavoring to enhance its profitability and capital efficiency to maximize its corporate value.

2. Target Management Indices

The SANIX Group aims at continuous improvement in profits based on mid- and long-term business strategies. The Company will implement serious cost reduction efforts and strengthen management structure. Among various management indices, we should focus on the ratio of operating profit to revenues, which clearly reflects the status of our productivity and the balance with the costs. The Company targets at achieving the ratio of operating profit to revenues of 7.0% in the medium term.

3. Medium- and Long-Term Business Strategies and Issues to Be Addressed

(1) HS Division

The HS division will continue emphasizing compliance with applicable laws and regulations to ensure the protection of consumers. The division is determined to make efforts to create a marketing organization that is closely connected to the local community, and to provide existing customers good after- sales service through our Termite Eradication Service, Under-Roof/Floor Ventilation Systems, and Solar Photovoltaic Power Generation System. In the medium to long term, the Division aims to foster “Solar Photovoltaic Power Generation System” that we began marketing as the mainstay in the division and expand our domestic market share with the price competitiveness. And the Division also aims to shed dependence on the door-to-door sales and strengthen corporate sales and wholesales.

(2) ES Division

The ES Division is cultivating markets mainly in the metropolitan areas where office buildings, apartment complexes, and other large facilities are concentrated. The Division provides, as its core business, maintenance and repairing service for water pipes in buildings and apartment houses. Through provision of regular maintenance programs to existing customers, the Division will also explore additional needs for maintenance and repairing of all facilities within their buildings. In addition, the Division strive to promote sales of the Solar Photovoltaic Power Generation System for housing complex. In the medium to long term, a corporate customer marketing system targeting realtors, facility management companies and other companies will be established. At the same time, efficiency in marketing and installation work should be improved to reduce costs and increase sales, which will lead to improvement in the operating profit ratio.

(3) ERD Division

The main business of ERD division is resource-recycling power generation by using fuel recycled from waste plastic in its recycling plants. As for the application of waste plastic processed by the Division’s plants, the Division pursues sales to other customers than power plants to expand the sales volume of plastic fuel for which demand is high as an alternative of fossil fuel. Expansion of the customer base will contribute to improvement of its business profitability.

4. Challenges the Company faces

We expect that the business environment surrounding the Company will remain severe; however, the environmental industry will play an important role in society due to a rising demand for environmental protection. Under such circumstances, the following are managerial challenges to be tackled in order for our three main businesses to prosper.

(1) Promotion of compliance

In order to be trusted by more customers and to provide comfortable environment more extensively, one of the most important issues for the Company, as the leading "Eco Business" company, is promoting strict compliance with laws and regulations, from the viewpoint of consumer protection, following our principle of "Customers Come First." Education and training will be provided regularly to employees to enhance their morality and knowledge on legal compliance, to ensure delivery of safe and comfortable house environment to customers. At the same time, the Company pays close attention to environment conservation when conducting its operations, including ensuring proper treatment and disposition of industrial waste it generates.

(2) Strengthening sales and management system

The Company needs to establish high quality sales and management systems, where we can increase close contact with our customers and cultivate underlying demand. SANIX, a team of experts, will firmly establish its brand image and employ efficient sales and management systems.

(3) Recruitment and training of employees

In accordance with our Management Philosophy, “Our job is to educate and education means management”, we are committed to improve corporate value and our services by recruiting more people and training employees. From the perspective of protecting customers, we are required to ensure compliance with applicable laws and regulations. The Company considers it is our corporate mission to raise the quality of our employees as well as products and services. Specifically, we are determined to provide employees with substantial and specific training on recruitment, at each managerial class, and at each position.

(4) Development of new products

A key issue for the Company is the development of new products and improvement of existing products. In HS division, our mission is to protect customers’ wooden houses from damage caused by termites, humidity, and natural disasters such as typhoons and earthquakes so that we can provide a comfortable living environment. ES division needs to develop new services for maintaining corporate buildings. The Environmental Resources Development Division will strive for development of value-added alternatives to fossil fuel to create new market needs, including diversifying the applications of plastic fuel for which strong demand growth is expected.

(5) Sales of waste plastic fuel

Along with increasing the amount of waste plastic processing, ERD division now sells waste plastic fuel as part of the creation of the so-called recycling oriented society. As waste plastic fuel could be an alternative energy source to fossil fuel, our foremost issue is to develop a suitable profile of this fuel, and secure the stable quality and volume of fuel production in order to meet customer demand.

(6) A stable power plant operation in Tomakomai Power Plant and an improvement of output of power generation.

A key issue for the Sanix Energy’s Tomakomai Power Plant is a stable power plant and an improvement of output of power generation. Effect of the operation know-how and capital investment which is accumulated from the accidents occurred in the past made an ability for removing foreign materials from waste plastics improved, so we reap the result for a stable poewr plant operation. In future, we will try to improve profitability further.

(7) Bolster disaster-prevention countermeasures

We make every effort to give first priority to safety at each plant in ERD division. Management takes seriously the gravity of the accident that occurred in the past, and has reviewed and strengthened its disaster prevention system to ensure safe operations of its business.

5. Other Significant Management Issues

No applicable matter.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31	
	FY2009	**FY2010**
Assets:		
Current Assets:		
Cash and deposits	1,254,960	**1,138,347**
Notes and accounts receivable-trade	2,055,714	**2,521,099**
Merchandise and finished goods	59,981	**59,493**
Raw materials and supplies	1,160,785	**1,582,927**
Deferred tax assets	287,590	**298,959**
Other	443,728	**395,429**
Allowance for doubtful accounts	(109,694)	**(105,828)**
Total Current Assets:	5,153,065	**5,890,429**
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,248,637	**2,260,413**
Machinery, equipment and vehicles, net	162,775	**144,994**
Land	8,979,529	**8,979,529**
Lease assets, net	16,369	**145,520**
Construction in progress	274,354	**59,019**
Other, net	146,649	**173,639**
Total Property, Plant and Equipment:	11,828,315	**11,763,116**
Intangible Fixed Assets:		
Goodwill	961,390	**849,383**
Other, net	61,884	**61,035**
Total Property, Plant and Equipment:	1,023,275	**910,419**
Investments and Other Assets:		
Investment securities	367,267	**404,991**
Lease and guarantee deposits	960,425	**819,627**
Deferred tax assets	318,483	**232,706**
Other	762,182	**821,706**
Allowance for doubtful accounts	(417,297)	**(436,406)**
Total Investments and Other Assets:	1,991,062	**1,842,705**
Total Fixed Assets:	14,842,653	**14,516,241**
Total Assets:	19,995,719	**20,406,670**

(Thousands of Yen)

	As of March 31	
	FY2009	**FY2010**
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	1,159,167	**867,782**
Short-term loans payable	5,345,000	**2,425,000**
Current portion of long-term loans payable	308,856	**760,986**
Accounts payable-other	1,141,749	**1,449,293**
Accrued expenses	731,169	**754,791**
Accrued income taxes	74,757	**100,452**
Lease obligations	161,477	**242,661**
Income taxes payable	143,263	**178,406**
Provision for bonuses	68,032	**9,956**
Allowance for resource-recycling expenses	21,987	**21,796**
Other	186,922	**149,545**
Total Current Liabilities:	9,342,383	**6,960,673**
Non-Current Liabilities:		
Long-term loans payable	1,726,168	**4,319,226**
Lease obligations	122,732	**160,198**
Deferred tax liabilities	22,877	**21,662**
Long-term lease deposited	46,216	**46,216**
Provision for retirement benefits	1,212,181	**1,329,172**
Provision for directors' retirement benefits	209,895	**177,555**
Provision for disposal site closing expenses	258722	**289,414**
Total Non-Current Liabilities:	3,598,793	**6,343,445**
Total Liabilities:	12,941,176	**13,304,118**
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	**14,041,834**
Retained earnings	(5,440,972)	**(5,391,444)**
Treasury stock	(1,610,755)	**(1,610,766)**
Total Shareholders' Equity:	6,990,107	**7,039,624**
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	34,396	**32,620**
Total Valuation and translation adjustments:	34,396	**32,620**
Minority Interests:	30,039	**30,307**
Total Net Assets:	7,054,542	**7,102,551**
Total Liabilities and Net Assets:	19,995,719	**20,406,670**

2. Consolidated Statement of Income

(Thousands of Yen)

	from April 1 to March 31	
	FY2009	**FY2010**
Net sales	24,539,316	**28,979,773**
Cost of sales	14,621,057	**18,703,982**
Gross profit	9,918,259	**10,275,790**
Selling, general and administrative expenses	9,527,983	**9,773,948**
Operating income (loss)	390,275	**501,842**
Non-operating income:		
Interest income	7,141	**6,754**
Dividends income	7,117	**7,132**
Commission for insurance office work	4,477	**4,200**
Land and house rent revenue	67,279	**67,278**
Other	38,438	**40,632**
Total non-operating income	124,454	**125,998**
Non-operating expenses:		
Interest expenses	156,637	**190,412**
Comission fee	129,393	**—**
Rent expenses	2,308	**3,504**
Other	1,512	**3,859**
Total non-operating expenses	289,851	**197,776**
Ordinary income (loss)	224,877	**430,064**
Extraordinary income:		
Insurance income	3,084	**—**
Gain on sales of subsidiaries and affiliates' stocks	—	**7,000**
Gain on insurance adjustment	14,553	**—**
Gain on sales of investment securities	21	**—**
Reversal of allowance for doubtful accounts	136	**2,809**
Reversal of provision for bonuses	53,632	**64,788**
Gain on revision of retirement benefit plan	87,255	**—**
Gain on sales of fixed assets	3,499	**265**
Total extraordinary income	162,183	**74,863**
Extraordinary loss:		
Loss on sales of fixed assets	115	**—**
Loss on retirement of fixed assets	8,847	**572**
Impairment loss	3,701,159	**—**
Loss on cancellation of lease contracts	3,268	**1,713**
Loss on valuation of investment securities	852	**—**
Loss on valuation of membership	3,700	**—**
Loss on disaster	1,940	**36,287**
Enterprise tax for prior periods	59,406	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**114,268**
Total extraordinary loss	3,779,289	**152,842**
Income (loss) before income taxes and minority interests	(3,392,228)	**352,086**
Income taxes-current	141,506	**227,589**
Income taxes-deferred	141,345	**74,374**
Total income taxes	282,851	**301,964**
Income before minority interests	—	**50,121**
Minority interests in income	1,195	**593**
Net income (loss)	(3,676,275)	**49,528**

（Comprehensive Income）

(Thousands of Yen)

	from April 1 to March 31	
	FY2009	**FY2010**
Income before minority interests	—	**50,121**
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	—	**(1,776)**
Total other comprehensive income	—	**(1,776)**
Comprehensive income	—	**48,345**
Comprehensive income attributable to		
Comprehensive income attributable to parent company	—	**47,751**
Comprehensive income attributable to minority interests	—	**593**

3. Consolidated Statements of Changes in Net Assets

(Thousands of Yen)

	from April 1 to March 31	
	FY2009	**FY2010**
Shareholders' Equity		
Capital stock:		
Balance at the end of previous period	14,041,834	**14,041,834**
Changes of items during the period		
Total changes of items during the period	—	**—**
Balance at the end of current period	14,041,834	**14,041,834**
Capital surplus:		
Balance at the end of previous period	1,758,841	**—**
Changes of items during the period		
Deficit disposition	(1,758,841)	**—**
Total changes of items during the period	(1,758,841)	**—**
Balance at the end of current period	—	**—**
Retained earnings:		
Balance at the end of previous period	(3,523,538)	**(5,440,972)**
Changes of items during the period		
Net income	(3,676,275)	**49,528**
Deficit disposition	1,758,841	**—**
Total changes of items during the period	(1,917,433)	**49,528**
Balance at the end of current period	(5,440,972)	**(5,391,444)**
Treasury Stock:		
Balance at the end of previous period	(1,610,705)	**(1,610,755)**
Changes of items during the period		
Purchase of treasury stock	(50)	**(26)**
Disposal of treasury stock	—	**15**
Total changes of items during the period	(50)	**(11)**
Balance at the end of current period	(1,610,755)	**(1,610,766)**
Total Shareholders' Equity:		
Balance at the end of previous period	10,666,432	**6,990,107**
Changes of items during the period		
Net income	(3,676,275)	**49,528**
Purchase of treasury stock	(50)	**(26)**
Disposal of treasury stock	—	**15**
Total changes of items during the period	(3,676,325)	**49,517**
Balance at the end of current period	6,990,107	**7,039,624**

(Thousands of Yen)

	from April 1 to March 31	
	FY2009	**FY2010**
Valuation and Translation Adjustments:		
Valuation difference on available- for-sale securities		
Balance at the end of previous period	34,636	**34,396**
Changes of items during the period		
Net changes of items other than shareholders' equity	(240)	**(1,776)**
Total changes of items during the period	(240)	**(1,776)**
Balance at the end of current period	34,396	**32,620**
Total Valuation and Translation Adjustments:		
Balance at the end of previous period	34,636	**34,396**
Changes of items during the period		
Net changes of items other than shareholders' equity	(240)	**(1,776)**
Total changes of items during the period	(240)	**(1,776)**
Balance at the end of current period	34,396	**32,620**
Minority Interests:		
Balance at the end of previous period	29,169	**30,039**
Changes of items during the period		
Net changes of items other than shareholders' equity	870	**268**
Total changes of items during the period	870	**268**
Balance at the end of current period	30,039	**30,307**
Total Net Assets:		
Balance at the end of previous period	10,730,238	**7,054,542**
Changes of items during the period		
Net income	(3,676,275)	**49,528**
Purchase of treasury stock	(50)	**(26)**
Disposal of treasury stock	—	**15**
Net changes of items other than owners' equity	629	**(1,507)**
Total changes of items during the period	(3,675,695)	**48,009**
Balance at the end of current period	7,054,542	**7,102,551**

4. Consolidated Cash Flow Statement

(Thousands of Yen)

	From April 1 to March 31	
	FY2009	**FY2010**
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes and minority interests	(3,392,228)	**352,086**
Depreciation and amortization	583,319	**415,738**
Impairment loss	3,701,159	**—**
Loss on disaster	1,940	**36,287**
Insurance income	(3,084)	**—**
Gain on insurance claim	(14,553)	**—**
Increase/ Decrease in reserve for retirement benefits	59,414	**116,991**
Increase/ Decrease in reserve for directors' retirement benefits	(19,949)	**(32,339)**
Increase/ Decrease in provision for bonuses	(41,000)	**(58,075)**
Decrease in allowance for resource-recycling expenses	8,482	**(191)**
Amortization of goodwill	56,003	**112,006**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**114,268**
Increase/decrease in allowance for doubtful accounts	1,783	**13,575**
Interest and dividends income	(14,259)	**(13,886)**
Interest expenses	156,637	**190,412**
Commission fee	129,393	—
Gain/ Loss on sales of investment securities	(21)	**—**
Gain/ Loss on valuation of investment securities	852	**—**
Loss on valuation of membership	3,700	**—**
Gain/ Loss on sales of fixed assets	(3,384)	**(265)**
Loss on retirement of fixed assets	8,847	**572**
Increase/ Decrease in notes and accounts receivable-trade	41,574	**(465,385)**
Increase/ Decrease in inventories	(603,733)	**(425,218)**
Increase/ Decrease in other current assets	(171,276)	**(13,255)**
Decrease in notes and accounts payable-trade	545,851	**(291,385)**
Increase/ Decrease in consumption tax refund receivable	34,810	**35,143**
Increase/ Decrease in other current liabilities	(419,996)	**280,128**
Other	157,652	**35,354**
Subtotal	807,936	**402,562**
Interest and dividends income received	14,219	**13,705**
Interest expenses paid	(139,823)	**(210,112)**
Payment for damage repairing	(174,806)	**(1,347)**
Proceeds from damage insurance	190,503	**—**
Income taxes paid	(134,688)	**(157,022)**
Income taxes refund	—	**7,103**
Net cash provided by operating activities:	563,341	**54,889**

(Thousands of Yen)

	From April 1 to March 31	
	FY2009	**FY2010**
Net Cash Provided by (Used in) Investment Activities:		
Payments into time deposits	(5,000)	**—**
Proceeds from withdrawal of time deposits	20,000	**—**
Proceeds from sales of investment securities	36	**—**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,000,000)	**—**
Proceeds from sales of property, plant and equipment	179,137	**1,180**
Purchase of property, plant and equipment	(471,912)	**(175,905)**
Payments for lease and guarantee deposits	(44,124)	**(33,665)**
Proceeds from collection of lease and guarantee deposits	127,105	**29,304**
Purchase of investment securities	—	**(40,682)**
Other	(109,675)	**5,410**
Net cash provided by investing activities:	(2,304,431)	**(214,358)**
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable	29,000	**(2,920,000)**
Proceeds from long-term loans payable	2,020,000	**3,530,000**
Repayment of long-term loans payable	(19,792)	**(484,812)**
Repayments of finance lease obligations	(62,565)	**(81,725)**
Net decrease/ increase in treasury stock	(50)	**(11)**
Cash dividends paid	(348)	**(595)**
Other	(20,079)	**—**
Net cash provided by financing activities:	1,946,164	**42,856**
Net increase (decrease) in cash and cash equivalents	205,074	**(116,612)**
Cash and cash equivalents at beginning of peiod	1,049,885	**1,254,960**
Cash and cash equivalents at the end of period	1,254,960	**1,138,347**

Segment Information

Segment Information by Type of Business

Prior consolidated fiscal year (From April 1, 2009 to March 31, 2010) (Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales:						
Sales to customers	14,056,685	2,547,911	7,934,719	24,539,316	—	24,539,316
Internal sales among segments and transfer accounts	—	—	—	—	—	—
Total	14,056,685	2,547,911	7,934,719	24,539,316	—	24,539,316
Operating income(loss)	3,365,373	211,206	(1,112,360)	2,464,219	(2,073,944)	390,275
Assets	4,179,051	1,071,479	9,840,016	15,090,547	4,905,171	19,995,719
Others:						
Depreciation expenses	58,952	5,651	454,497	575,105	64,217	639,322
Amortization of goodwill	—	—	56,003	56,003	—	56,003
Capital expenditures	35,642	1,164	1,497,040	1,533,847	15,763	1,549,611

Consolidated fiscal year (From April 1, 2010 to March 31, 2011) (Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales:						
Sales to customers	16,656,730	2,811,124	9,511,918	28,979,773	—	28,979,773
Internal sales among segments and transfer accounts	—	—	—	—	—	—
Total	16,656,730	2,811,124	9,511,918	28,979,773	—	28,979,773
Operating income(loss)	2,607,955	153,674	(215,972)	2,545,657	(2,043,814)	501,842
Assets	4,837,856	1,134,538	9,971,107	15,943,502	4,463,168	20,406,670
Others:						
Depreciation expenses	57,891	6,225	278,656	342,773	72,964	415,738
Amortization of goodwill	—	—	112,006	112,006	—	112,006
Capital expenditures	47,662	18,328	240,383	306,374	32,823	339,197

VI. Others

Consolidated Net Sales by Division

(Thousands of Yen)

	Full Year from April 1 to March 31		Changes
	FY20089	**FY2010**	
Termite eradication service	4,775,658	**4,095,554**	(680,103)
Foundation repairing treatment	2,584,195	**1,759,896**	(824,298)
Under-roof/floor ventilation system	2,996,835	**2,568,157**	(428,678)
Home reinforcement system	393,530	**350,648**	(42,881)
Solar photovoltaic power generation system	1,086,879	**5,261,744**	4,174,865
Other	2,219,586	**2,620,728**	401,141
Home Sanitation Division Total:	14,056,685	**16,656,730**	2,600,044
Anti-rust equipment installation	693,880	**680,549**	(13,331)
Repair of building water-works	869,619	**770,194**	(99,424)
Waterproofing of building	197,871	**427,263**	229,392
Solar photovoltaic power generation system	—	**297,863**	297,863
Other	786,540	**635,253**	(151,287)
Establishment Sanitation Division Total:	2,547,911	**2,811,124**	263,212
Industrial waste (Waste plastic processing)	4,295,771	**5,023,753**	727,981
Industrial waste (Organic Waste Water Recycle)	1,474,480	**1,444,216**	(30,263)
Generation of electricity	1,276,291	**1,427,975**	151,683
Final disposal	415,694	**939,269**	523,575
Other	472,480	**676,703**	204,223
Environmental Resources Development Division Total:	7,934,719	**9,511,918**	1,557,199
Total Net Sales:	24,539,316	**28,979,773**	4,440,456