



SANIX INCORPORATED

Consolidated Financial Summary

For the Third Quarter ended December 31, 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 third quarter ended December 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: Toshiyuki Tominaga, General Manager, Management and Planning Division

1. Consolidated Financial Highlights for the third quarter ended December 31, 2011

(1) Consolidated Operating Results

(Millions of Yen)

	Third Quarter			
	from April 1 to December 31			
	FY2011	% change	FY2010	% change
Net Sales.	23,395	6.5	21,974	21.9
Operating Income.	471	(58.6)	1,138	573.2
Ordinary Income.	427	(60.4)	1,080	-
Net Income.	48	(93.0)	692	-
Net Income per Share(¥).	¥1.01	-	¥14.52	-
Net Income per Share, Diluted(¥).	-	-	-	-
(Reference) Comprehensive Income.	59	(91.4)	687	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of December 31	As of March 31
	FY2011	FY2010
Total Assets.	21,183	20,406
Net Assets.	7,161	7,102
Shareholders' Equity Ratio (%).	33.7%	34.7%

Reference Shareholders' equity as of December 31, 2011 7,131 million yen

Shareholders' equity as of March 31, 2011 7,072 million yen

2. Dividends

	At the end of				Annual
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
(Dividends per Share)					
FY2010 ended March 31, 2011.	—	0.00	—	0.00	0.00
FY2011 ending March 31, 2012 (Forecast).	—	0.00	—	0.00	0.00

3. Forecasts for Consolidated Business Results for the Fiscal Year ending March 31, 2012

	(Millions of Yen)	
	FY2011	
	Full Year	% change
Net Sales.	33,300	14.9%
Operating Income.	1,070	113.2%
Ordinary Income.	1,010	134.8%
Net Income.	550	-
Net Income per Share(¥).	¥11.53	-

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 third quarter ended December 31, 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)

	Third Quarter ended Dec. 31, 2011	Full Year ended March 31, 2011
Number of shares issued and outstanding at period end.	48,919,396	48,919,396
Number of treasury stocks at period end.	1,210,021	1,210,021
Average number of shares issued and outstanding during the fiscal term. . .	47,709,415	47,709,435 (3Q)

*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 third quarter ended December 31, 2011

(1) Qualitative Information of Consolidated Operation Results

Although the Japanese economy was in the business stagnation by the influence of the Great East Japan Earthquake, it began showing signs of a recovery of corporate activities and personal consumption in line with the restoration of the supply chain and the recession of self-restraint. Nevertheless, the situation remains uncertain because of the electrical power shortage, the progress of stock sell-off and concerning about the economic slowdown by which economic problem centered upon Europe become more serious and severe.

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 third quarter 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 23,395 million (6.5% increase year-on-year). Regarding the cost, the cost of sales increased by 14.1% 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.

As a result, the Sanix Group reported operating income of 471 million yen (declined by 58.6% from the last year), ordinary income of 427 million yen (declined by 60.4% from the last year) and net income of 48 million yen (declined by 93.0% from the 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 of the mainstay, Solar Photovoltaic Power Generation System, steadily increased by 38.0% from the last year. Meanwhile, sales in Termite Eradication Services and Under-Roof/Floor Ventilation Systems declined by 13.1% and 24.4% from the last year. Also, sales in Foundation Repair Treatment and Reinforcement Services declined by 31.4% from the last year, since the first-round effects of the sales campaign has ended. Consequently, sales in the HS Division amounted to 12,677 million yen (declined by 0.8% from the last year).

Regarding operating margins, the Division's operating income decreased by 28.7% year-on-year to 1,908 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 15.1% (20.9% 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 2,047 million yen (up 2.6% year-on-year) because sales of Solar Photovoltaic Power Generation System for housing complex which started to sell from September, 2010 increased steadily, though sales of the existing building and condominium maintenance management services made little progress.

Regarding operating margins, the Division's operating loss recorded 0 million yen (operating income recorded 146 million yen last year) because sales of existing products with lower cost rate made little progress.

Environmental Resources Development Division

Sales in Waste Plastic Processing increased by 24.2% (year-on-year), due to increases in the number of customers and volume of plastic brought in. Power Sales increased by 43.0% (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 14.9% (year-on-year).

As a result, sales in the ERD Division amounted to 8,670 million yen (up 20.4% from the last year).

The Division saw operating income recorded 162 million yen (operating loss of 135 million yen for the last year) and got into the black because the Division's profitability improved by focusing on increasing productivity and reducing costs paid off.

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to 21,183 million yen as of the end of the third quarter of the current fiscal year, up 776 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 14,022 million yen, up 718 million yen from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts payable-trade and accounts payable-other. Net assets totaled 7,161 million yen, up 58 million yen from the previous consolidated fiscal year end. This was primary due to the net income of 48 million yen incurred during the quarter. Consequently, the ratio of owners' equity was 33.7%, compared to 34.7% for the previous consolidated fiscal year end.

(3) Qualitative information on the forecast of consolidated business results

In the HS Division, we expected sales of Solar Photovoltaic Power Generation System to increase through the rise of the expectation for renewable energy, but our sales plan fell short of initial plan by uncreasing competition in the domestic market. Also, in the ERD Division, we incorporated the influence which Power Sales will decrease by the trouble with the power cable connecting Hokkaido to Honshu. Consequently, we revised our operational result forecast for the full year as stated above.

Regarding Net Income, we expects the influence of a decrease in ordinary income and an increase of Income taxes-deferred by following the promulgation concerning reducing corporate tax.

Full year results forecast (April 1, 2011 to March 31, 2012)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous Forecast	38,000	1,300	1,250	830	17.40Yen
Revised Forecast	33,300	1,070	1,010	550	11.53Yen
Difference	△4,700	△230	△240	△280	—
% Change	△12.4%	△17.7%	△19.2%	△33.7%	—
Results from year before	28,979	501	430	49	1.04Yen
% Change	14.9%	113.2%	134.8%	—	—

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 third quarter ended December 31, 2011

(1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31	As of December 31
	FY2010	FY2011
Assets:		
Current Assets:		
Cash and deposits	1,138,347	1,773,304
Notes and accounts receivable-trade	2,521,099	2,728,066
Merchandise and finished goods	59,493	52,203
Raw materials and supplies	1,582,927	1,816,557
Other	694,389	678,372
Allowance for doubtful accounts	(105,828)	(116,837)
Total Current Assets:	5,890,429	6,931,668
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,260,413	2,100,443
Machinery, equipment and vehicles, net	144,994	160,357
Land	8,979,529	8,979,529
Other, net	378,179	407,062
Total Property, Plant and Equipment:	11,763,116	11,647,393
Intangible Fixed Assets:		
Goodwill	849,383	765,378
Other, net	61,035	59,782
Total Property, Plant and Equipment:	910,419	825,161
Total Investments and Other Assets:	1,842,705	1,779,250
Total Fixed Assets:	14,516,241	14,251,804
Total Assets:	20,406,670	21,183,473
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	867,782	1,407,037
Short-term loans payable	2,425,000	2,212,500
Accounts payable-other	1,449,293	2,158,529
Accrued income taxes	242,661	137,033
Provision	31,753	36,353
Other	1,944,182	2,168,995
Total Current Liabilities:	6,960,673	8,120,449
Non-Current Liabilities:		
Bonds payable	—	80,000
Long-term loans payable	4,319,226	3,748,672
Provision for retirement benefits	1,329,172	1,363,655
Provision for directors' retirement benefits	177,555	177,881
Provision for disposal site closing expenses	289,414	310,260
Other	228,076	221,210
Total Non-Current Liabilities:	6,343,445	5,901,678
Total Liabilities:	13,304,118	14,022,128

(Thousands of Yen)

	As of March 31	As of December 31
	FY2010	FY2011
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Retained earnings	(5,391,444)	(5,343,052)
Treasury stock	(1,610,766)	(1,610,767)
Total Shareholders' Equity:	7,039,624	7,088,014
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	32,620	43,794
Total Valuation and translation adjustments:	32,620	43,794
Minority Interests:	30,307	29,535
Total Net Assets:	7,102,551	7,161,345
Total Liabilities and Net Assets:	20,406,670	21,183,473

(2) Consolidated Quarterly Statement of Income

(Thousands of Yen)

	Third quarter	
	from April 1 to December 31	
	FY2010	FY2011
Net sales	21,974,026	23,395,785
Cost of sales	13,456,397	15,355,973
Gross profit	8,517,629	8,039,811
Selling, general and administrative expenses	7,379,604	7,568,234
Operating income	1,138,024	471,577
Non-operating income:		
Interest income	5,091	4,651
Dividends income	7,132	11,411
Land and house rent revenue	50,459	50,657
Other	29,857	26,886
Total non-operating income	92,540	93,606
Non-operating expenses:		
Interest expenses	144,373	128,642
Other	5,698	8,977
Total non-operating expenses	150,072	137,620
Ordinary income	1,080,492	427,562
Extraordinary income:		
Gain on sales of subsidiaries and affiliates' stocks	7,000	—
Reversal of allowance for doubtful accounts	2,637	—
Reversal of provision for bonuses	64,788	—
Gain on sales of noncurrent assets	170	3,715
Total extraordinary income	74,596	3,715
Extraordinary loss:		
Loss on retirement of fixed assets	572	8,113
Loss on cancellation of lease contracts	878	1,458
Loss on disaster	991	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	114,268	—
Total extraordinary loss	116,711	9,571
Income before income taxes and minority interests	1,038,377	421,706
Income taxes-current	184,544	159,507
Income taxes-deferred	159,831	214,254
Total income taxes	344,375	373,762
Income before minority interests	694,001	47,944
Minority interests in income (loss)	1,187	(466)
Net income	692,814	48,391

(Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	Third quarter	
	from April 1 to Decemebr 31	
	FY2010	FY2011
Income before minority interests	694,001	47,944
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	(6,864)	11,174
Total other comprehensive income	(6,864)	11,174
Comprehensive income	687,137	59,119
Comprehensive income attributable to		
Comprehensive income attributable to parent company	685,949	59,566
Comprehensive income attributable to minority interests	1,187	(446)

(3) Note regarding assumption of a going concern

None.

(4) Segment Information

I . Prior nine-month period (From April 1, 2010 to December 31, 2010)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers	12,775,211	1,996,331	7,202,483	21,974,026	-	21,974,026
(2)Internal sales among segments and transfer accounts.	-	-	-	-	-	-
Total	12,775,211	1,996,331	7,202,483	21,974,026	-	21,974,026
Operating income (loss)	2,675,081	146,444	(135,180)	2,686,345	(1,548,320)	1,138,024

II . Consolidated fiscal year (From April 1, 2011 to December 31, 2011)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers	12,677,461	2,047,483	8,670,840	23,395,785	-	23,395,785
(2)Internal sales among segments and transfer accounts.	-	-	-	-	-	-
Total	12,677,461	2,047,483	8,670,840	23,395,785	-	23,395,785
Operating income (loss)	1,908,177	(262)	162,043	2,069,959	(1,598,381)	471,577

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

None.

4. Supplemental Information

Net Sales by Division

(Thousands of Yen)

	Third quarter		Changes
	from April 1 to Decemebr 31		
	FY2010	FY2011	
Termite Eradication Service	3,399,764	2,953,933	(445,831)
Under-Roof/Floor Ventilation System	2,397,589	1,813,448	(584,141)
Foundation Repairing Treatment	1,606,322	1,102,139	(504,182)
Home Reinforcement System	309,729	290,496	(19,233)
Solar photovoltaic power generation system	2,797,201	3,861,421	1,064,220
Other	2,264,603	2,656,022	391,419
Home Sanitation Division Total:	12,775,211	12,677,461	(97,749)
Anti-rust equipment installation	515,438	338,550	(176,887)
Repair of building water-works	582,152	644,111	61,958
Waterproofing of building	357,037	285,141	(71,895)
Solar photovoltaic power generation system	52,872	310,727	257,855
Other	488,830	468,952	(19,878)
Establishment Sanitation Division Total:	1,996,331	2,047,483	51,152
Industrial Waste (Waste plastic processing)	3,820,647	4,743,955	923,307
Industrial waste (Organic Waste Water Recycle)	1,070,125	1,229,309	159,183
Generation of electricity	1,143,050	1,635,065	492,015
Final disposal	710,902	585,665	(125,236)
Other	457,757	476,844	19,086
Environmental Resources Development Division Total:	7,202,483	8,670,840	1,468,356
Total Net Sales:	21,974,026	23,395,785	1,421,759