



SANIX INCORPORATED

Consolidated Financial Summary

For the First half ended September 30, 2012

The financial figures in this document are based on Japanese Accounting Standards and accompanying laws. Amounts are rounded off to 1 decimal place. This document is an English translation of the Japanese-language original.

Consolidated Financial Statements

For the First half ended September 30, 2012

SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: http://sanix.jp/index_e.htm

President and CEO: Shin-ichi Munemasa

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

1. Consolidated Financial Highlights for the first half ended September 30, 2012

(1) Consolidated Operating Results

(Millions of Yen)

	First half			
	from April 1 to September 30			
	FY2012	% change	FY2011	% change
Net Sales.	18,184	17.7	15,452	5.8
Operating Income.	524	96.6	266	(76.4)
Ordinary Income.	508	114.5	237	(78.2)
Net Income.	379	-	(0)	-
Net Income per Share(¥).	¥7.95	-	(¥0.00)	-
Net Income per Share, Diluted(¥).	-	-	-	-
(Reference) Comprehensive Income.	364	-	3	(99.6)

(2) Consolidated Financial Position

(Millions of Yen)

	As of September 30	As of March 31
	FY2012	FY2011
Total Assets.	22,172	21,286
Net Assets.	7,572	7,134
Shareholders' Equity Ratio (%).	34.0%	33.4%

Reference Shareholders' equity as of September 30, 2012 7,544 million yen

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

2. Dividends

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

3. Forecasts for Consolidated Business Results for the Fiscal Year ending March 31, 2013

	(Millions of Yen)	
	FY2012	
	Full Year	% change
Net Sales	38,000	20.8%
Operating Income	2,000	388.0%
Ordinary Income	1,970	466.1%
Net Income	1,820	-
Net Income per Share(¥).	¥38.15	-

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

4. Others

(1) Changes in significant subsidiaries during the period: None

(Note) Indicates changes in specified subsidiaries resulting in the change in consolidation scope during the first half ended September 30, 2012

(2) Adoption of special quarterly accounting methods: None

(Note) Indicates adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements

(3) Changes in accounting principles, accounting estimates and correction of prior errors

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

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

iii)Changes in accounting estimates: Yes

iv)Correction of prior period error: None

(4) Number of Shares Issued and Outstanding

(Shares)

	First Half ended Sep. 30, 2012	Full Year ended March 31, 2012
Number of shares issued and outstanding at period end	48,919,396	48,919,396
Number of treasury stocks at period end	1,210,185	1,210,021
Average number of shares issued and outstanding during the fiscal term.	47,709,298	47,709,418 (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.

Index of the attachment

1. Qualitative Information for the first half ended September 30, 2012	2
(1) Qualitative Information of Consolidated Operation Results	2
(2) Qualitative Information of Consolidated Financial Position	2
(3) Qualitative Information of the Forecast of Consolidated Business Results	3
2. Other Information	3
(1) Changes in significant subsidiaries during the period	3
(2) Adoption of special quarterly accounting methods.....	3
(3) Changes in accounting principles, procedures and presentation methods.....	3
3. Consolidated Financial Statements for the first half ended September 30, 2012	4
(1) Consolidated Quarterly Balance Sheets	4
(2) Consolidated Quarterly Statements of Income and Comprehensive Income.....	6
Consolidated Quarterly Statements of Income	
For the first half.....	6
Comprehensive Income	
For the first half.....	7
(3) Consolidated Quarterly Statement of Cash Flows.....	8
(4) Note regarding assumption of a going concern.....	9
(5) Note regarding significant changes in the amount of shareholders' equity.....	9
(6) Segment Information.....	9
4. Supplemental Information	10
Net Sales by Division	10

1. Qualitative Information for the first half ended September 30, 2012

(1) Qualitative Information of Consolidated Operation Results

In the first half of the fiscal year ending March 31, 2013, regarding the Japanese economy, demand from post-earthquake disaster reconstruction surfaced and it gradually showed signs of a recovery, thanks partly to the effect of subsidy payments for eco-car purchases. That said, the actual state of the economy is uncertain owing to the impact of the economic slowdown in emerging countries and concern for deterioration of corporate earnings amid clear signs of a European recession stemming from the fiscal instability in southern Europe.

Under these circumstances, as a business model in the next-generation energy field, SANIX promoted sales of our Solar Photovoltaic Power Generation System, a clean energy source, and resource-recycling power generation system, which reprocesses plastic waste as fuel.

In the first half of the fiscal year ending March 31, 2013, sales in the HS Division increased by 5.1% (year-on-year). Sales in the ERD Division increased by 41.4% (year-on-year) because "Plastic fuel business" increased greatly by increasing propitiously volume of plastics brought in, and "Power Generation" increased greatly by a stable operation in Tomakomai Power Plant and rise of unit price of electric power selling compared to previous period. As a result, the Group's total sales amounted to 18,184 million yen (17.7% increase year-on-year).

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

As a result, the Sanix Group reported operating income of 524 million yen (increased by 96.6% from the last year), ordinary income of 508 million yen (increased by 114.5% from the last year) and net income of 379 million yen (net loss of 0 million yen for the same period last year).

Consolidated results of individual divisions for the year were as follows:

Earnings of Individual Divisions:

Home Sanitation Division

Sales of the mainstay, Solar Photovoltaic Power Generation System, steadily increased by 146.0% (year-on-year). However, sales of Termite Eradication Service decreased by 44.2% (year-on-year) and sales of Under-Floor/-Roof Ventiration System decreased by 57.7% (year-on-year) and sales of Foundation Repairing/Home Reinforcement System decreased by 66.0% (year-on-year) because the number of requests on peak season decreased compared to previous period and sales personnel were shifted for sales of Solar Photovoltaic Power Generation System to sell Solar Photovoltaic Power Generation System positively. Consequently, sales in the HS Division amounted to 9,320 million yen (up 5.1% from the last year).

Regarding operating margins, the Division's operating income decreased by 50.2% year-on-year to 816 million yen, since the constituent ratio of "Termite Eradication Service" and "Under-Floor/-Roof Ventiration System" with higher profitability declined.

Establishment Sanitation Division

The ES Division concentrated its resources on marketing to corporate customers, such as building and condominium management companies to improve business efficiency and recover profitability. Consequently, the ES Division's sales amounted to 1,452 million yen (up 8.3% year-on-year) because sales of the existing products and Solar Photovoltaic Power Generation System for housing complex increased steadily.

Regarding operating margins, the Division's operating income recorded 51 million yen (operating loss recorded 12 million yen last year) because sale increased.

Environmental Resources Development Division

Sales in Plastic fuel business increased by 52.8% (year-on-year), due to increases in the volume of plastic brought in. Power Sales increased by 89.4% year-on-year by the following reasons; the rate of operation in the Sanix Energy's Tomakomai Power Plant (Tomakomai City, Hokkaido Prefecture) was improved by a stable and continuous operation and shortening the regular maintenance period compared to the previous year; unit price of electric power selling rose compared to previous period. On the other hand, sales in Organic Liquid Waste Processing decreased by 4.3% (year-on-year) due to decrease in the volume of organic liquid waste brought in. As a result, sales in the ERD Division amounted to 7,411 million yen (up 41.4% from the last year).

The Division's operating income recorded 792 million yen (operating loss recorded 270 million yen last year) due to improving sales productivity and reduction of costs by increasing sales.

(2) Qualitative Information of Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Total assets amounted to 22,172 million yen as of the end of the first half of the current fiscal year, up 886 million yen from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable-trade. Total liabilities were 14,599 million yen, up 448 million yen from the end of the previous fiscal year. This was mainly due to an increase in Notes and accounts payable-trade. Net assets totaled 7,572 million yen, up 437 million yen from the end of the previous fiscal year. This was mainly due to the net income of 379 million yen incurred during the quarter. Consequently, the ratio of owners' equity was 34.0%, compared to 33.4% for the previous consolidated fiscal year end.

2) Cash Flows

Cash and cash equivalents as of September 30, 2012 totaled 1,770 million yen, an increase of 404 million yen from as of March 31, 2012.

(Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 913 million yen, a decrease of 91 million yen from the same period last year. This was mainly due to an increase in notes and accounts receivable-trade of 565 million yen (down 62 millions yen year-on-year) and an increase in other current liabilities of 162 million yen (up 465 millions yen year-on-year), despite the recording of net income before income taxes increased from the same period last year.

(Cash Flows from Investing Activities)

Net cash used for investing activities totaled 88 million yen, an increase of 23 million yen from the same period last year. This was mainly due to the payments for purchase of property, plant and equipment by 83 million yen.

(Cash Flows from Financing Activities)

Net cash used for financing activities totaled 419 million yen, a decrease of 696 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 2013, the Sanix Group announced on May 11, 2012.

2. Other Information

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): Yes

From the first half of fiscal year ending March 31, 2013, Shangri (Shanghai) Energy and Technology Co.,Ltd and Sanix Engineering Incorporated were included in the scope of consolidation due to increase in their materiality.

(2) Adoption of special quaterly accounting methods : None

(3) Changes in accounting principles, procedures and presentation methods: Yes

(Changes in the depreciation method)

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

3. Consolidated Financial Statements for the first half ended September 30, 2012

(1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31	As of September 30
	FY2011	FY2012
Assets:		
Current Assets:		
Cash and deposits	1,365,530	1,770,361
Notes and accounts receivable-trade	3,309,437	3,920,558
Merchandise and finished goods	53,187	52,643
Raw materials and supplies	1,713,692	1,697,468
Other	630,058	629,114
Allowance for doubtful accounts	(107,831)	(117,099)
Total Current Assets:	6,964,074	7,953,047
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,090,183	2,002,273
Machinery, equipment and vehicles, net	239,367	344,114
Land	8,979,529	8,979,529
Other, net	414,618	472,663
Total Property, Plant and Equipment:	11,723,699	11,798,580
Intangible Fixed Assets:		
Goodwill	737,377	681,373
Other, net	59,105	57,752
Total Intangible Fixed Assets:	796,482	739,126
Total Investments and Other Assets:	1,802,163	1,682,010
Total Assets:	14,322,345	14,219,718
Total Assets:	21,286,420	22,172,765
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	1,386,410	1,828,575
Short-term loans payable	2,325,000	2,149,900
Accounts payable-other	2,330,436	2,473,442
Income taxes payable	157,942	157,187
Provision	50,570	23,156
Other	2,130,611	2,223,758
Total Current Liabilities:	8,380,971	8,856,020
Non-Current Liabilities:		
Bonds payable	70,000	60,000
Long-term loans payable	3,559,741	3,313,641
Provision for retirement benefits	1,382,781	1,397,143
Provision for directors' retirement benefits	178,256	179,006
Provision for disposal site closing expenses	331,431	353,358
Other	248,251	440,781
Total Non-Current Liabilities:	5,770,462	5,743,929
Total Liabilities:	14,151,433	14,599,950

(Thousands of Yen)

	As of March 31	As of September 30
	FY2011	FY2012
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Retained earnings	(5,377,499)	(4,928,998)
Treasury stock	(1,610,767)	(1,610,815)
Total Shareholders' Equity:	<u>7,053,567</u>	<u>7,502,020</u>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	52,772	48,584
Foreign currency translation adjustment	—	(6,106)
Total Valuation and translation adjustments:	<u>52,772</u>	<u>42,477</u>
Minority Interests:	28,647	28,316
Total Net Assets:	<u>7,134,986</u>	<u>7,572,815</u>
Total Liabilities and Net Assets:	<u>21,286,420</u>	<u>22,172,765</u>

(2) Consolidated Quarterly Statement of Income and Comprehensive Income

(Consolidated Quarterly Statement of Income)

(Thousands of Yen)

	First Half	
	from April 1 to September 30	
	FY2011	FY2012
Net sales	15,452,659	18,184,562
Cost of sales	10,060,465	12,338,285
Gross profit	5,392,193	5,846,277
Selling, general and administrative expenses	5,125,462	5,321,998
Operating income	266,731	524,278
Non-operating income:		
Interest income	3,121	3,051
Dividends income	8,797	8,676
Land and house rent received	33,639	34,045
Other	19,626	28,224
Total non-operating income	65,185	73,997
Non-operating expenses:		
Interest expenses	87,537	82,356
Other	7,185	7,227
Total non-operating expenses	94,723	89,584
Ordinary income	237,193	508,692
Extraordinary income:		
Gain on sales of noncurrent assets	—	1,999
Total extraordinary income	—	1,999
Extraordinary loss:		
Loss on retirement of non-current assets	8,113	523
Loss on cancellation of leasehold contracts	1,458	—
Total extraordinary loss	9,571	523
Income before income taxes and minority interests	227,621	510,168
Income taxes-current	105,923	121,874
Income taxes-deferred	122,400	9,344
Total income taxes	228,323	131,218
Income(loss) before minority interests	(702)	378,949
Minority interests in income (loss)	(657)	(330)
Net income (loss)	(44)	379,280

(Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	First Half	
	from April 1 to Septemebr 30	
	FY2011	FY2012
Income (loss) before minority interests	(702)	378,949
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	3,943	(4,188)
Foreign currency translation adjustment	—	(10,184)
Total other comprehensive income	3,943	(14,372)
Comprehensive income	3,241	364,577
Comprehensive income attributable to		
Comprehensive income attributable to parent company	3,898	364,907
Comprehensive income attributable to minority interests	(657)	(330)

(3) Consolidated Quarterly Statement of Cash Flows

(Thousands of yen)

	First Half	
	From April 1 to September 30	
	FY2011	FY2012
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes	227,621	510,168
Depreciation and amortization	177,430	185,378
Increase (Decrease) in provision for retirement benefits	17,437	14,361
Amortization of goodwill	56,003	56,003
Increase (Decrease) in allowance for doubtful accounts	7,188	(4,600)
Interest and dividends income	(11,919)	(11,727)
Interest expenses	87,537	82,356
Loss (gain) on sales of noncurrent assets	—	(1,999)
Loss on retirement of noncurrent assets	8,113	523
Decrease (Increase) in notes and accounts receivable-trade	62,089	(565,586)
Decrease (increase) in inventories	(64,784)	143,293
Increase (decrease) in notes and accounts payable-trade	232,252	427,453
Other, net	484,500	252,824
Subtotal	1,283,469	1,088,447
Interest and dividends income received	11,570	11,296
Interest expenses paid	(83,149)	(80,236)
Payments for loss on disaster	(12,672)	—
Income taxes paid	(193,820)	(128,260)
Income taxes refund	—	22,383
Net cash provided by operating activities:	1,005,397	913,630
Net Cash Provided by (Used in) Investing Activities:		
Purchase of property, plant and equipment	(46,048)	(83,827)
Proceeds from sales of property, plant and equipment	—	5,233
Purchase of investment securities	(35,587)	(3,790)
Other	16,143	(6,261)
Net cash provided by (used in) investing activities:	(65,493)	(88,645)
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable	(775,000)	(175,100)
Proceeds from long-term loans payable	—	200,000
Repayment of long-term loans payable	(380,862)	(380,862)
Proceeds from issuance of bonds	100,000	—
Repayments of finance lease obligations	(54,453)	(51,131)
Other	(5,915)	(12,144)
Net cash provided by (used in) financing activities:	(1,116,231)	(419,238)
Effect of exchange rate change on cash and cash equivalents	—	(1,684)
Net increase (decrease) in cash and cash equivalents	(176,326)	404,062
Cash and cash equivalents at beginning of period	1,138,347	1,365,530
Increase in cash and cash equivalents from newly consolidated subsic	—	768
Cash and cash equivalents at the end of period	962,020	1,770,361

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

There is no significant change.

(6) Segment Information

I . Prior first half (From April 1, 2011 to September 30, 2011)

(Thousands of Yen)

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

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

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers	9,320,363	1,452,486	7,411,712	18,184,562	-	18,184,562
(2)Internal sales among segments and transfer accounts.	-	-	-	-	-	-
Total	9,320,363	1,452,486	7,411,712	18,184,562	-	18,184,562
Operating income (loss)	816,522	51,040	792,986	1,660,550	(1,136,272)	524,278

4. Supplemental Information

Net Sales by Division

(Thousands of Yen)

	First Half		Changes
	from April 1 to September 30		
	FY2011	FY2012	
Solar photovoltaic power generation system	2,456,028	6,040,667	3,584,638
Termite Eradication Service	2,351,921	1,312,176	(1,039,745)
Under-Roof/Floor Ventilation System	1,304,446	551,344	(753,101)
Foundation Repairing/Home Reinforcement System	958,964	326,430	(632,534)
Other	1,797,082	1,089,744	(707,338)
Home Sanitation Division Total:	8,868,443	9,320,363	451,919
Anti-rust equipment installation	224,655	330,840	106,184
Repair of building water-works	412,462	405,833	(6,629)
Waterproofing of building	208,776	155,275	(53,500)
Solar photovoltaic power generation system	178,192	251,300	73,108
Other	316,952	309,235	(7,716)
Establishment Sanitation Division Total:	1,341,040	1,452,486	111,446
Plastic fuel	2,912,627	4,449,516	1,536,888
Industrial waste (Organic Waste Water Recycle)	822,254	787,257	(34,997)
Generation of electricity	802,173	1,519,343	717,169
Final disposal	394,130	342,445	(51,684)
Other	311,989	313,150	1,160
Environmental Resources Development Division Total:	5,243,175	7,411,712	2,168,537
Total Net Sales:	15,452,659	18,184,562	2,731,903