



SANIX INCORPORATED

Consolidated Financial Summary

For the Third Quarter ended December 31, 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 third quarter ended December 31, 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/lang_en/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, 2012

(1) Consolidated Operating Results

(Millions of Yen)

	Third Quarter			
	from April 1 to December 31			
	FY2012	% change	FY2011	% change
Net Sales.	27,401	17.1	23,395	6.5
Operating Income.	166	(64.8)	471	(58.6)
Ordinary Income.	84	(80.3)	427	(60.4)
Net Income.	(125)	-	48	(93.0)
Net Income per Share(¥).	(¥2.64)	-	¥1.01	-
Net Income per Share, Diluted(¥).	-	-	-	-
(Reference) Comprehensive Income.	(102)	-	59	(91.4)

(2) Consolidated Financial Position

(Millions of Yen)

	As of December 31	As of March 31
	FY2012	FY2011
Total Assets.	23,563	21,286
Net Assets.	7,110	7,134
Shareholders' Equity Ratio (%).	30.1%	33.4%

Reference Shareholders' equity as of December 31, 2012 7,081 million yen

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

2. Dividends

	At the end of				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
(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.	43,500	38.3%
Operating Income.	2,600	534.3%
Ordinary Income.	2,480	612.7%
Net Income.	2,100	-
Net Income per Share(¥).	¥44.02	-

SANIX INCORPORATED revised 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 third quarter ended December 31, 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)

	Third Quarter ended Dec. 31, 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. . .	47,709,272	47,709,415 (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.

Index of the attachment

1. Qualitative Information for the third quarter ended December 31, 2012	2
(1) Qualitative Information of Consolidated Operation Results	2
(2) Qualitative Information of Consolidated Financial Position	3
(3) Qualitative Information of the Forecast of Consolidated Business Results	3
2. Other Information	4
(1) Changes in significant subsidiaries during the period	4
(2) Adoption of special quarterly accounting methods.....	4
(3) Changes in accounting principles, procedures and presentation methods.....	4
3. Consolidated Financial Statements for third quarter ended December 31, 2012	5
(1) Consolidated Quarterly Balance Sheets	5
(2) Consolidated Quarterly Statements of Income and Comprehensive Income.....	7
Consolidated Quarterly Statements of Income	
For the third quarter.....	7
Comprehensive Income	
For the third quarter.....	8
(3) Note regarding assumption of a going concern.....	9
(4) Note regarding significant changes in the amount of shareholders' equity.....	9
(5) Segment Information.....	9
4. Supplemental Information	10
Net Sales by Division	10

1. Qualitative Information for the third quarter ended December 31, 2012

(1) Qualitative Information of Consolidated Operation Results

In the third quarter of the fiscal year ending March 31, 2013, regarding the Japanese economy, demand from post-earthquake disaster reconstruction surfaced and it showed signs of a recovery temporarily, but the pace of the recovery slowed down. 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.

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 third quarter of the fiscal year ending March 31, 2013, in the HS Division, sales of Solar Photovoltaic Power Generation System increased steadily and sales increased by 10.8% (year-on-year). Sales in the ERD Division increased by 27.8%(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 27,402 million yen (17.1% increase year-on-year).

Regarding incomes, operating income in the HS Division decreased because a decline of the constituent ratio of "Termite Eradication Service" and "Under-Floor/-Roof Ventiration System" with higher profitability, and through "Act on Special Measures Concerning Renewable Energy Sources", sales promotion expenses as prior investment for Industrial Solar Photovoltaic Power Generation System, which we really focused after the third quarter of the current fiscal year, increased. On the other hands, operating income in the ERD Division increased greatly by increased sales.

As a result, the Sanix Group reported operating income of 166 million yen (decreased by 64.8% from the last year), ordinary income of 82 million yen (decreased by 80.3% from the last year) and net loss of 125 million yen (net income of 48 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 132.2% (year-on-year). However, sales of Termite Eradication Service decreased by 33.4% (year-on-year) and sales of Under-Floor/-Roof Ventiration System decreased by 49.5% (year-on-year) and sales of Foundation Repairing/Home Reinforcement System decreased by 60.7% (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 14,048 million yen (up 10.8% from the last year).

Regarding operating margins, the Division's operating income decreased by 51.2% year-on-year to 930 million yen because the constituent ratio of "Termite Eradication Service" and "Under-Floor/-Roof Ventiration System" with higher profitability declined, and through "Act on Special Measures Concerning Renewable Energy Sources", sales promotion expenses for Industrial Solar Photovoltaic Power Generation System, which we really focused after the third quarter of the current fiscal year, increased.

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 2,271 million yen (up 11.0% 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 49 million yen (operating loss recorded 0 million yen last year) because sale increased.

Environmental Resources Development Division

Sales in Plastic fuel business increased by 39.9% (year-on-year) due to increases in the volume of plastic brought in. Power Sales increased by 42.2% (year-on-year) because 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 unit price of electric power selling rose compared to previous period. On the other hand, sales in Organic Liquid Waste Processing decreased by 5.9% (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 11,082 million yen (up 27.8% from the last year).

The Division's operating income recorded 927 million yen (up 472.2% from the last year) due to improving sales productivity and reduction of costs by increasing sales.

(2) Qualitative Information of Consolidated Financial Position

Total assets amounted to 23,563 million yen as of the end of the third quarter of the current fiscal year, up 2,277 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits, notes and accounts receivable-trade and inventories. Total liabilities were 16,453 million yen, up 2,301 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 7,110 million yen, down 24 million yen from the end of the previous fiscal year. This was mainly due to the net loss of 125 million yen incurred during the quarter. Consequently, the ratio of owners' equity was 30.1%, compared to 33.4% for the previous consolidated fiscal year end.

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

We announces revisions of its operational result forecasts for the full year, previously announced on March 11, 2012. Please refer to "Notice Concerning Revision of Earnings Forecast" which the company announced on February 12, 2013.

Full year results forecast (April 1, 2012 to March 31, 2013)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous Forecast	38,000	2,000	1,970	1,820	38.15Yen
Revised Forecast	43,500	2,600	2,480	2,100	44.02Yen
Difference	5,500	600	510	280	—
% Change	14.5%	30.0%	25.9%	15.4%	—
Results from year before	31,454	409	347	13	0.29Yen

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 second quarter 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 third quarter ended December 31, 2012

(1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	As of March 31	As of December 31
	FY2011	FY2012
Assets:		
Current Assets:		
Cash and deposits	1,365,530	2,244,202
Notes and accounts receivable-trade	3,309,437	3,850,010
Costs on uncompleted construction contracts	—	207,531
Merchandise and finished goods	53,187	46,002
Raw materials and supplies	1,713,692	2,198,319
Other	630,058	789,017
Allowance for doubtful accounts	(107,831)	(112,563)
Total Current Assets:	6,964,074	9,222,520
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	2,090,183	1,943,569
Machinery, equipment and vehicles, net	239,367	364,709
Land	8,979,529	8,979,529
Other, net	414,618	651,744
Total Property, Plant and Equipment:	11,723,699	11,939,552
Intangible Fixed Assets:		
Goodwill	737,377	653,372
Other, net	59,105	57,076
Total Intangible Fixed Assets:	796,482	710,448
Total Investments and Other Assets:	1,802,163	1,691,430
Total Assets:	14,322,345	14,341,431
Total Assets:	21,286,420	23,563,951
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	1,386,410	2,800,798
Short-term loans payable	2,325,000	2,515,000
Accounts payable-other	2,330,436	2,632,767
Income taxes payable	157,942	162,183
Provision	50,570	38,504
Other	2,130,611	2,717,291
Total Current Liabilities:	8,380,971	10,866,545
Non-Current Liabilities:		
Bonds payable	70,000	60,000
Long-term loans payable	3,559,741	3,107,948
Provision for retirement benefits	1,382,781	1,406,261
Provision for directors' retirement benefits	178,256	179,381
Provision for disposal site closing expenses	331,431	361,418
Other	248,251	471,866
Total Non-Current Liabilities:	5,770,462	5,586,875
Total Liabilities:	14,151,433	16,453,421

(Thousands of Yen)

	As of March 31	As of December 31
	FY2011	FY2012
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Retained earnings	(5,377,499)	(5,429,608)
Treasury stock	(1,610,767)	(1,610,815)
Total Shareholders' Equity:	<u>7,053,567</u>	<u>7,001,409</u>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	52,772	55,209
Foreign currency translation adjustment	—	25,185
Total Valuation and translation adjustments:	<u>52,772</u>	<u>80,394</u>
Minority Interests:	<u>28,647</u>	<u>28,725</u>
Total Net Assets:	<u>7,134,986</u>	<u>7,110,530</u>
Total Liabilities and Net Assets:	<u>21,286,420</u>	<u>23,563,951</u>

(2) Consolidated Quarterly Statement of Income and Comprehensive Income

(Consolidated Quarterly Statement of Income)

(Thousands of Yen)

	Third quarter	
	from April 1 to December 31	
	FY2011	FY2012
Net sales	23,395,785	27,402,194
Cost of sales	15,355,973	18,653,777
Gross profit	8,039,811	8,748,417
Selling, general and administrative expenses	7,568,234	8,582,261
Operating income	471,577	166,156
Non-operating income:		
Interest income	4,651	4,537
Dividends income	11,411	11,530
Land and house rent received	50,657	51,053
Other	26,886	34,775
Total non-operating income	93,606	101,897
Non-operating expenses:		
Interest expenses	128,642	123,447
Foreign exchange losses	722	46,073
Other	8,255	14,291
Total non-operating expenses	137,620	183,813
Ordinary income	427,562	84,240
Extraordinary income:		
Gain on sales of noncurrent assets	3,715	2,899
Total extraordinary income	3,715	2,899
Extraordinary loss:		
Loss on retirement of non-current assets	8,113	631
Loss on cancellation of leasehold contracts	1,458	—
Impairment loss	—	18,657
Total extraordinary loss	9,571	19,289
Income before income taxes and minority interests	421,706	67,851
Income taxes-current	159,507	181,366
Income taxes-deferred	214,254	12,145
Total income taxes	373,762	193,512
Income(loss) before minority interests	47,944	(125,660)
Minority interests in income (loss)	(446)	78
Net income (loss)	48,391	(125,739)

(Consolidated Quarterly Comprehensive Income)

(Thousands of Yen)

	Third quarter	
	from April 1 to Decemebr 31	
	FY2011	FY2012
Income (loss) before minority interests	47,944	(125,660)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	11,174	2,437
Foreign currency translation adjustment	—	21,106
Total other comprehensive income	11,174	23,544
Comprehensive income	59,119	(102,116)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	59,566	(102,195)
Comprehensive income attributable to minority interests	(446)	78

(3) Note regarding assumption of a going concern

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

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

There is no significant change.

(5) Segment Information

I . Prior nine-month period (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

II . Consolidated fiscal year (From April 1, 2012 to December 31, 2012)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Net Sales:						
(1)Sales to customers	14,048,243	2,271,788	11,082,162	27,402,194	-	27,402,194
(2)Internal sales among segments and transfer accounts.	-	-	-	-	-	-
Total	14,048,243	2,271,788	11,082,162	27,402,194	-	27,402,194
Operating income (loss)	930,467	49,654	927,178	1,907,301	(1,741,144)	166,156

4. Supplemental Information

Net Sales by Division

(Thousands of Yen)

	Third quarter		Changes
	from April 1 to Decemebr 31		
	FY2011	FY2012	
Solar photovoltaic power generation system	3,861,421	8,966,822	5,105,400
Termite Eradication Service	2,953,933	1,966,882	(987,050)
Under-Roof/Floor Ventilation System	1,813,448	914,983	(898,465)
Foundation Repairing/Home Reinforcement System	1,392,635	546,839	(845,796)
Other	2,656,022	1,652,715	(1,003,306)
Home Sanitation Division Total:	12,677,461	14,048,243	1,370,781
Anti-rust equipment installation	338,550	485,661	147,111
Repair of building water-works	644,111	567,467	(76,643)
Waterproofing of building	285,141	228,211	(56,929)
Solar photovoltaic power generation system	310,727	547,384	236,656
Other	468,952	443,063	(25,889)
Establishment Sanitation Division Total:	2,047,483	2,271,788	224,304
Plastic fuel	4,743,955	6,637,588	1,893,633
Industrial waste (Organic Waste Water Recycle)	1,229,309	1,157,294	(72,014)
Generation of electricity	1,635,065	2,325,456	690,390
Final disposal	585,665	493,728	(91,937)
Other	476,844	468,094	(8,749)
Environmental Resources Development Division Total:	8,670,840	11,082,162	2,411,322
Total Net Sales:	23,395,785	27,402,194	4,006,409