

**Non-Consolidated Financial Statements**

For the first quarter ended June 30, 2006

## SANIX INCORPORATED

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

Code No.: 4651

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Use of simplified accounting methods: None

Change in accounting methods from recent fiscal years:

Accounting Standard for Presentation of Net Assets in the Balance Sheet

**Non-Consolidated Financial Highlights for the first quarter ended June 30, 2006**

(April 1, 2006 to June 30, 2006)

## (1) Non-Consolidated Operating Results

(Millions of Yen)

	First quarter				Fiscal year
	from April 1 to June 30				ended March 31
	FY2007	% change	FY2006	% change	FY2006
Net Sales . . . . .	8,488	(24.1)	11,179	(1.2)	35,031
Operating Income . . . . .	(122)	-	370	-	(3,467)
Recurring Profit . . . . .	(154)	-	384	-	(3,580)
Net Income . . . . .	6	(98.2)	352	-	(4,354)
Net Income per Share(¥) . . . . .	¥0.15	-	¥8.88	-	(¥109.55)
Net Income per Share, Diluted(¥) . . . . .	¥0.13	-	¥8.87	-	-

Note: Percentages indicate the increase and decrease compared with the previous first quarter ended June 30, 2005.

## (2) Non-Consolidated Financial Position

(Millions of Yen)

	As of June 30		As of March 31
	FY2007	FY2006	FY2006
Total Assets . . . . .	35,946	43,157	36,791
Net Assets . . . . .	16,332	20,484	16,082
Owners' Equity Ratio (%) . . . . .	45.4%	47.5%	43.7%
Net Assets per Share (¥) . . . . .	¥400.86	¥515.80	¥401.89

### (3) Forecasts for Non-Consolidated Business Results

For the fiscal year ending March 31, 2007

	(Millions of Yen)	
	First Half	Full Year
	as of September 30	ending March 31
	FY2007	
Net Sales . . . . .	15,550	30,960
Recurring Profit . . . . .	(490)	1,800
Net Income . . . . .	(430)	1,800
Net Income per Share( ¥ ) . . . . .	(¥10.55)	¥44.18

Note: Forecasts above 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.

# Non-Consolidated Financial Statements

## 1.Non-Consolidated Balance Sheet

(Thousands of Yen)

	As of June 30	As of March 31	Increase/Decrease		As of June 30
	FY2007	FY2006	Amount	Ratio %	FY2006
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and bank deposits . . . . .	2,587,684	2,991,403	(403,719)		3,248,045
Note receivable . . . . .	99,501	84,749	14,751		103,425
Accounts receivable . . . . .	2,345,321	2,255,167	90,154		2,872,678
Inventories . . . . .	768,256	826,844	(58,588)		943,835
Other current assets . . . . .	236,967	330,362	(93,395)		631,006
Allowance for doubtful accounts . . . . .	(47,000)	(42,000)	(5,000)		(37,420)
<b>Total Current Assets:</b>	<b>5,990,731</b>	<b>6,446,528</b>	<b>(455,796)</b>	<b>(7.1)</b>	<b>7,761,571</b>
<b>Fixed Assets:</b>					
<b>Tangible Fixed Assets:</b>					
Buildings . . . . .	4,667,127	4,763,361	(96,234)		6,462,801
Machinery and equipment . . . . .	5,446,501	5,585,545	(139,044)		6,184,298
Land . . . . .	13,583,163	13,583,163	-		16,606,156
Construction in progress . . . . .	2,595	2,271	323		-
Other non-current assets . . . . .	1,430,791	1,469,234	(38,443)		1,581,706
<b>Total Tangible Fixed Assets:</b>	<b>25,130,178</b>	<b>25,403,576</b>	<b>(273,398)</b>	<b>(1.1)</b>	<b>30,834,962</b>
<b>Intangible Fixed Assets:</b>					
<b>Total Intangible Fixed Assets:</b>	<b>76,447</b>	<b>76,586</b>	<b>(139)</b>	<b>(0.2)</b>	<b>77,068</b>
<b>Investments and Other Assets:</b>					
Investment in securities . . . . .	1,196,444	1,310,080	(113,636)		1,059,191
Deposits and Guaranty . . . . .	1,451,834	1,455,800	(3,965)		1,377,104
Long-term loans to affiliated company . . . . .	1,500,000	1,500,000	-		1,500,000
Other . . . . .	999,746	996,828	2,917		950,384
Allowance for bad loans . . . . .	(398,494)	(398,293)	(200)		(403,252)
<b>Total Investments and Other Assets:</b>	<b>4,749,531</b>	<b>4,864,416</b>	<b>(114,885)</b>	<b>(2.4)</b>	<b>4,483,427</b>
<b>Total Fixed Assets:</b>	<b>29,956,157</b>	<b>30,344,579</b>	<b>(388,422)</b>	<b>(1.3)</b>	<b>35,395,458</b>
<b>Total Assets:</b>	<b>35,946,888</b>	<b>36,791,107</b>	<b>(844,219)</b>	<b>(2.3)</b>	<b>43,157,029</b>

<b>LIABILITIES AND NET ASSETS:</b>	As of June 30	As of March 31	Increase/Decrease		As of June 30
	FY2007	FY2006	Amount	Ratio %	FY2006
<b>Current Liabilities:</b>					
Notes payable . . . . .	253,808	247,546	6,261		396,257
Accounts payable . . . . .	583,274	487,417	95,856		782,054
Short-term loans . . . . .	4,000,000	3,200,000	800,000		5,800,000
Long-term loans payable in 1 year . . . . .	2,410,400	2,410,400	-		2,374,400
Corporate bond payable in 1 year . . . . .	330,000	330,000	-		200,000
Amount in arrears . . . . .	1,360,589	2,222,481	(861,891)		2,647,664
Accrued expenses . . . . .	1,159,134	1,139,848	19,285		1,939,389
Income tax payable . . . . .	69,061	160,786	(91,724)		81,499
Consumption tax payable . . . . .	208,374	-	208,374		315,507
Accrued bonuses . . . . .	-	170,000	(170,000)		-
Allowances for resource-recycling expenses . . . . .	778,296	904,914	(126,617)		398,937
Other current liabilities . . . . .	175,118	157,649	17,468		294,143
<b>Total Current Liabilities:</b>	<b>11,328,057</b>	<b>11,431,043</b>	<b>(102,986)</b>	<b>(0.9)</b>	<b>15,229,854</b>
<b>Non-Current Liabilities:</b>					
Corporate bond . . . . .	3,305,000	3,605,000	(300,000)		500,000
Long-term debt . . . . .	2,981,100	3,583,700	(602,600)		4,671,500
Retirement benefit . . . . .	1,606,116	1,658,304	(52,187)		1,652,993
Deferred tax liabilities . . . . .	102,448	139,827	(37,379)		45,553
Other non-current liabilities . . . . .	291,405	290,479	926		572,164
<b>Total Non-Current Liabilities:</b>	<b>8,286,070</b>	<b>9,277,311</b>	<b>(991,240)</b>	<b>(10.7)</b>	<b>7,442,211</b>
<b>Total Liabilities:</b>	<b>19,614,128</b>	<b>20,708,355</b>	<b>(1,094,227)</b>	<b>(5.3)</b>	<b>22,672,065</b>
<b>Stockholders' Equity:</b>					
Paid-in capital . . . . .	-	12,616,253	-	-	12,533,820
Capital surplus					
Capital legal reserve . . . . .	-	3,215,555	-	-	3,133,455
Other capital surplus . . . . .	-	6,005,855	-	-	6,005,855
Capital surplus total . . . . .	-	9,221,410	-	-	9,139,310
Earned surplus . . . . .	-	(4,354,542)	-	-	352,845
Valuation difference on available-for-sale securities	-	209,741	-	-	68,330
Treasury stock . . . . .	-	(1,610,111)	-	-	(1,609,342)
<b>Total Stockholders' Equity:</b>	<b>-</b>	<b>16,082,752</b>	<b>-</b>	<b>-</b>	<b>20,484,964</b>
<b>Total Liabilities and Stockholders' Equity:</b>	<b>-</b>	<b>36,791,107</b>	<b>-</b>	<b>-</b>	<b>43,157,029</b>
<b>Owners' Equity:</b>					
Paid-in capital . . . . .	12,766,834	-	-	-	-
Capital surplus					
Capital legal reserve . . . . .	3,364,973	-	-	-	-
Other capital surplus . . . . .	1,651,313	-	-	-	-
Capital surplus total . . . . .	5,016,286	-	-	-	-
Earned surplus . . . . .	6,188	-	-	-	-
Treasury stock . . . . .	(1,610,223)	-	-	-	-
<b>Total Owners' Equity:</b>	<b>16,179,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Valuation and Translation Adjustments:</b>					
Valuation difference on available-for-sale securities	153,673	-	-	-	-
<b>Total Valuation and Translation Adjustments:</b>	<b>153,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Assets:</b>	<b>16,332,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Net Assets:</b>	<b>35,946,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2. Non-Consolidated Statement of Income

(Thousands of Yen)

	First quarter		Increase/Decrease		Fiscal year
	from April 1 to June 30				ended March 31
	FY2007	FY2006	Amount	Ratio %	FY2006
<b>Net sales</b> . . . . .	<b>8,488,492</b>	11,179,604	(2,691,112)	(24.1)	35,031,780
<b>Cost of sales</b> . . . . .	<b>4,139,354</b>	5,311,289	(1,171,935)	(22.1)	19,032,291
<b>Gross profit</b> . . . . .	<b>4,349,138</b>	5,868,314	(1,519,176)	(25.9)	15,999,488
<b>Selling, general and administrative expenses</b> . . . . .	<b>4,472,026</b>	5,498,216	(1,026,189)	(18.7)	19,466,842
<b>Operating income(loss)</b> . . . . .	<b>(122,888)</b>	370,097	(492,986)	-	(3,467,354)
Non-operating income:					
Interest income . . . . .	<b>1,937</b>	2,033	(95)		8,397
Dividend income . . . . .	<b>8,045</b>	25,446	(17,400)		51,512
Insurance commission income . . . . .	<b>2,186</b>	2,408	(221)		9,537
Rent Revenue . . . . .	<b>28,915</b>	90,886	(61,970)		237,904
Other non-operating income . . . . .	<b>15,523</b>	17,109	(1,585)		69,190
<b>Total non-operating income</b> . . . . .	<b>56,609</b>	137,882	(81,273)	(58.9)	376,544
Non-operating expenses:					
Interest expenses . . . . .	<b>49,969</b>	60,888	(10,919)		232,747
Stock issue expenses . . . . .	-	1,850	(1,850)		1,850
Bond issue expenses . . . . .	-	-	-		42,055
Rent expense . . . . .	<b>36,287</b>	59,264	(22,976)		203,603
Other non-operating expenses . . . . .	<b>2,407</b>	1,508	898		9,100
<b>Total non-operating expenses</b> . . . . .	<b>88,664</b>	123,511	(34,846)	(28.2)	489,357
<b>Recurring profit(loss)</b> . . . . .	<b>(154,943)</b>	384,469	(539,413)	-	(3,580,167)
Extraordinary income:					
Gain on sale of property, plant and equipment . . . . .	-	-	-		373,331
Insurance payments received . . . . .	-	390,000	(390,000)		952,759
Gain on sale of investment securities . . . . .	<b>3,390</b>	7,163	(3,772)		9,375
Transfer from reserve for possible loan losses . . . . .	-	-	-		234
Transfer from reserve for bonuses . . . . .	<b>187,000</b>	-	187,000		-
<b>Total extraordinary income</b> . . . . .	<b>190,390</b>	397,163	(206,772)	(52.1)	1,335,700
Extraordinary losses:					
Loss on disposal of property, plant and equipment . . . . .	-	156	(156)		6,708
Loss on sales of property, plant and equipment . . . . .	-	-	-		544,715
Loss on cancellation of lease contract . . . . .	<b>1,258</b>	281	976		5,367
Loss due to disasters . . . . .	-	390,000	(390,000)		892,390
Loss on settlement of construction cost of Tomakomiai Power Plant . . . . .	-	-	-		225,372
Loss on sales of investment securities . . . . .	-	-	-		306
Loss on valuation of shares of affiliates . . . . .	-	-	-		50,000
Loss on valuation of membership rights . . . . .	-	10,350	(10,350)		16,475
New provision for resource-recycling expenses . . . . .	-	-	-		256,740
<b>Total extraordinary losses</b> . . . . .	<b>1,258</b>	400,788	(399,529)	(99.7)	1,998,075
<b>Income(loss) before income taxes</b> . . . . .	<b>34,188</b>	380,845	(346,656)	(91.0)	(4,242,542)
Corporate income, local and enterprise taxes . . . . .	<b>28,000</b>	28,000	-		112,000
<b>Net income(loss)</b> . . . . .	<b>6,188</b>	352,845	(346,656)	(98.2)	(4,354,542)
<b>Unappropriated profits</b> . . . . .	-	352,845	-		(4,354,542)

### 3. Statement of Retained Earnings

Current first quarter (April 1, 2006 to June 30, 2006)

(Thousands of Yen)

	Owners' Equity							Valuation and Translation Adjustments
	Paid-in Capital	Capital Surplus			Earned Surplus	Treasury Stock	Total Owners' Equity	Valuation Difference on Available-for-sale Securities
		Capital Legal Reserve	Other Capital Surplus		Other Earned Surplus			
					Earned Surplus brought forward			
<b>Balance at the end of previous period</b>	12,616,253	3,215,555	6,005,855	9,221,410	(4,354,542)	(1,610,111)	15,873,010	209,741
<b>Changes of items during the period</b>								
Issuance of new shares	150,581	149,418		149,418			300,000	
Reversal of profit from capital surplus			(4,354,542)	(4,354,542)	4,354,542			
Net income					6,188		6,188	
Purchase of treasury stock						(111)	(111)	
Net changes of items other than owners' equity								(56,068)
<b>Total changes of items during the period</b>	150,581	149,418	(4,354,542)	(4,205,124)	4,360,731	(111)	306,076	(56,068)
<b>Balance at the end of current period</b>	12,766,834	3,364,973	1,651,313	5,016,286	6,188	(1,610,223)	16,179,087	153,673

# Significant Accounting Policies

## Relating to Financial Statements

### 1. Accounting Treatment Standards

(1) Appraisal standards and appraisal methods for principal assets.

1) Short-term investments in securities:

Stocks of subsidiaries: Cost method, computed by moving average method

Other marketable securities:

\*Securities valued at market: Market value method based on the market prices on the settlement date (all valuation difference are reflected directly in shareholders' equity, the sale price being computed using the moving average method.)

\*Securities not valued at market: Cost method, cost being determined by the moving average method

2) Inventories.

Commodity, products and products in process: Cost method computed by moving average method

Stored goods: The latest purchase cost method

(2) Depreciation methods for depreciable assets.

1) Tangible fixed assets: Fixed percentage on declining-balance method

The useful lives of major assets are as follows:

Buildings and structures 8 years – 50 years

Machinery and vehicles 4 years – 17 years

Tools and furniture 2 years – 15 years

2) Intangible fixed assets: Straight-line method

3) Long-term prepaid expenses: Straight-line method

(3) Accounting standards for allowances and reserves.

1) Allowance for doubtful accounts: Provision for losses on doubtful accounts is made up to the maximum allowable based on individual assessments and the actual percentage of bad loan write-offs, as prescribed in the Corporate Income Tax Law. If that amount is deemed to be insufficient, additional provision is made.

2) Allowance for retirement benefits for employees: In order to provide for retirement allowances the company accrues an amount equivalent to the amount that would be paid if the payment occurred at the end of the consolidated first quarter, based on the projected amount of retirement allowance liabilities and pension assets at the end of the consolidated accounting fiscal year. Furthermore, the Company will treat the entire variance at the time the accounting standards were changed as a one-off expense during the next consolidated accounting period.

3) Allowance for resource-recycling expenses: Allowance for resource-recycling expenses is provided in preparation for payment of transportation and storage relating to recycling waste plastics for fuel.

(4) Accounting treatment for lease transactions:

Finance lease transactions, except those under which the title of the leased asset is deemed to be transferred to the lessee, are treated according to the method used for ordinary loan transactions.

(5) Hedging accounting

- 1) Method of hedging accounting: Interest rate swap arrangements were accounted for by the special treatment method of hedging accounting as they satisfy the requirements for the special treatment.
- 2) Hedging arrangements and transactions to be hedged  
Hedging arrangement: Interest rate swap contracts  
Transactions to be hedged: Interest on borrowings
- 3) Hedging policy: The Company concludes interest rate swap contracts for the purpose of hedging the risk of floating of interest rates of borrowings. Transactions to be hedged by an interest rate swap contract are specified for each contract.
- 4) Assessment of validity of hedging arrangements: The Company concludes only interest rate swap contracts that satisfy all of the conditions, in accordance with its risk management policy.

(6) Other significant policies used in these consolidated financial statements.

Accounting treatment of consumption tax: Excluding tax method

## Change in accounting method

(Accounting Standard for Presentation of Net Assets in the Consolidated Balance Sheet)

(Current First Quarter)

From the end of this first quarter, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan Statement No.5, December 9, 2005), and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan Guidance No.8, December 9, 2005) are adopted.

Equity section of balance sheet, which is calculated in a conventional way reaches 16,332,760 thousand yen.

## Notes

### Notes to Statement of Changes in Net Assets

Current first quarter (April 1, 2006 to June 30, 2006)

1. Issues related to shares issued

	31-Mar-06	Increase	Decrease	30-Jun-06
Number of shares of issued (Shares) . . . . .	41,224,736	727,448	-	<b>41,952,184</b>

(Reasons for changes)

The number of shares increased due to a following reason.

Conversion of unsecured convertible bonds with a share warrant: 727,448 shares

2. Number of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	30-Jun-06
Number of shares of treasury stock (Shares) . . . . .	1,207,223	248	-	<b>1,207,471</b>

(Reasons for changes)

The number of shares increased due to a following reason

Purchase of odd stock: 248 shares