February 14, 2007

Financial Statements

For the 9 and 3 months ended December 31, 2006

SANIX INCORPORATED

Stock Listed:	Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange
Code No.:	4651
URL:	http://www.sanix.co.jp/
Headquarters:	2-1-23, Hakataeki Higashi, Hakata-ku, Fukuoka 812-0013 JAPAN TEL: 81-92-436-8870 / FAX: 81-92-436-8871
President and CEO:	Shin-ichi Munemasa
Contact:	Kozo Inoue, Managing Director, Administration Department, Management and Planning Division

Use of simplified accounting methods: None

Change in accounting methods from recent fiscal years: None

Non-Consolidated Financial Highlights for the 9 months ended December 31, 2006

(April 1, 2006 to December 31, 2006)

(1) Non-Consolidated Operating Results

(Millions of Yen)

	Third quarter				Fiscal year
	from April 1 to December 31				ended March 31
	FY2007	**% change**	FY2006	% change	FY2006
Net Sales	**21,073**	**(24.3)**	27,825	(12.2)	35,031
Operating Income	**(1,567)**	-	(2,130)	-	(3,467)
Recurring Profit	**(1,683)**	-	(2,189)	-	(3,580)
Net Income	**(1,814)**	-	(2,622)	-	(4,354)
Net Income per Share(￥)	**(¥41.24)**	-	(¥66.01)	-	(¥109.55)
Net Income per Share, Diluted(￥)	**-**	-	-	-	-

Note: Percentages indicate the increase and decrease compared with the previous third quarter.

(2) Non-Consolidated Financial Position

(Millions of Yen)

	As of December 31		As of March 31
	FY2007	FY2006	FY2006
Total Assets	**32,865**	38,704	36,791
Net Assets	**17,065**	17,657	16,082
Owners' Equity Ratio (%)	**51.9%**	45.6%	43.7%
Net Assets per Share (￥)	**¥357.68**	¥444.40	¥401.89

(3) Forecasts for Non-Consolidated Business Results

For the fiscal year ending March 31, 2007

(Millions of Yen)

	Full Year ending March 31
	FY2007
Net Sales.	27,640
Recurring Profit.	(1,800)
Net Income.	(1,960)
Net Income per Share(¥).	(¥41.08)

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)

Assets:	As of Dec. 31 FY2007	As of Mar. 31 FY2006	Increase/Decrease Amount	Increase/Decrease Ratio %	As of Dec. 31 FY2006
Current Assets:					
Cash and bank deposits	**479,638**	2,991,403	(2,511,765)		3,801,444
Note receivable	**83,529**	84,749	(1,220)		163,411
Accounts receivable	**1,881,339**	2,255,167	(373,828)		2,113,923
Inventories	**647,757**	826,844	(179,087)		952,801
Other current assets	**845,469**	330,362	515,107		898,592
Allowance for doubtful accounts	**(61,000)**	(42,000)	(19,000)		(44,000)
Total Current Assets:	**3,876,734**	6,446,528	(2,569,793)	(39.9)	7,886,173
Fixed Assets:					
Tangible Fixed Assets:					
Buildings	**4,403,427**	4,763,361	(359,933)		4,861,911
Machinery and equipment	**5,129,250**	5,585,545	(456,294)		5,812,946
Land	**13,584,463**	13,583,163	1,300		13,583,163
Construction in progress	**8,717**	2,271	6,446		39,021
Other non-current assets	**1,349,711**	1,469,234	(119,522)		1,484,770
Total Tangible Fixed Assets:	**24,475,571**	25,403,576	(928,005)	(3.7)	25,781,812
Intangible Fixed Assets:					
Total Intangible Fixed Assets:	**69,691**	76,586	(6,895)	(9.0)	76,790
Investments and Other Assets:					
Investment in securities	**1,169,271**	1,310,080	(140,809)		1,346,279
Deposits and guaranty	**1,340,847**	1,455,800	(114,953)		1,468,104
Long-term loans to affliated company	**1,504,300**	1,500,000	4,300		1,500,000
Other	**827,786**	996,828	(169,042)		1,047,010
Allowance for bad loans	**(398,800)**	(398,293)	(506)		(401,473)
Total Investments and Other Assets:	**4,443,404**	4,864,416	(421,012)	(8.7)	4,959,920
Total Fixed Assets:	**28,988,667**	30,344,579	(1,355,912)	(4.5)	30,818,524
Total Assets:	**32,865,401**	36,791,107	(3,925,705)	(10.7)	38,704,697

(Thousands of Yen)

LIABILITIES AND NET ASSETS:	As of Dec.31 FY2007	As of Mar. 31 FY2006	Increase/Decrease Amount	Increase/Decrease Ratio %	As of Dec. 31 FY2006
Current Liabilities:					
Notes payable	**477,061**	247,546	229,515		320,238
Accounts payable	**491,097**	487,417	3,679		467,818
Short-term loans	**2,720,000**	3,200,000	(480,000)		5,600,000
Long-term loans payable in 1 year	**2,114,400**	2,410,400	(296,000)		2,410,400
Corporate bond payable in 1 year	**330,000**	330,000	-		330,000
Amount in arrears	**1,514,592**	2,222,481	(707,888)		2,210,036
Accrued expenses	**782,569**	1,139,848	(357,279)		1,196,156
Income tax payable	**112,054**	160,786	(48,731)		122,261
Consumption tax payable	**187,402**	-	187,402		69,168
Accrued bonuses	**-**	170,000	(170,000)		-
Allowances for resource-recycling expenses	**625,288**	904,914	(279,625)		921,236
Other current liabilities	**1,678,922**	157,649	1,521,273		217,300
Total Current Liabilities:	**11,033,389**	11,431,043	(397,654)	(3.5)	13,864,615
Non-Current Liabilities:					
Corporate bond	**590,000**	3,605,000	(3,015,000)		920,000
Long-term debt	**2,439,900**	3,583,700	(1,143,800)		4,186,300
Retirement benefit	**1,428,462**	1,658,304	(229,841)		1,651,267
Deferred tax liabilities	**105,000**	139,827	(34,827)		134,554
Other non-current liabilities	**203,405**	290,479	(87,073)		290,479
Total Non-Current Liabilities:	**4,766,768**	9,277,311	(4,510,543)	(48.6)	7,182,600
Total Liabilities:	**15,800,157**	20,708,355	(4,908,197)	(23.7)	21,047,216
Stockholders' Equity:					
Paid-in capital	**-**	12,616,253	-	-	12,541,096
Capital surplus					
Capital legal reserve	**-**	3,215,555	-	-	3,140,711
Other capital surplus	**-**	6,005,855	-	-	6,005,855
Capital surplus total	**-**	9,221,410	-	-	9,146,567
Earned surplus	**-**	(4,354,542)	-	-	(2,622,205)
Valuation difference on available-for-sale securities	**-**	209,741	-	-	201,831
Treasury stock	**-**	(1,610,111)	-	-	(1,609,808)
Total Stockholders' Equity:	**-**	16,082,752	-	-	17,657,481
Total Liabilities and Stockholders' Equity:	**-**	36,791,107	-	-	38,704,697
Owners' Equity:					
Paid-in capital	**14,041,834**	-	-	-	-
Capital surplus					
Capital legal reserve	**4,639,973**	-	-	-	-
Other capital surplus	**1,651,313**	-	-	-	-
Capital surplus total	**6,291,287**	-	-	-	-
Earned surplus	**(1,814,859)**	-	-	-	-
Treasury stock	**(1,610,518)**	-	-	-	-
Total Owners' Equity:	**16,907,743**	-	-	-	-
Valuation and Translation Adjutments:					
Valuation difference on available-for-sale securities	**157,500**	-	-	-	-
Total Valuation and Translation Adjustments:	**157,500**	-	-	-	-
Total Net Assets:	**17,065,244**	-	-	-	-
Total Liabilities and Net Assets:	**32,865,401**	-	-	-	-

2. Non-Consolidated Statement of Income

(Thousands of Yen)

	Third quarter from April 1 to Dec. 31		Increase/Decrease		Fiscal year ended March 31
	FY2007	FY2006	Amount	Ratio %	FY2006
Net sales	**21,073,318**	27,825,116	(6,751,797)	(24.3)	35,031,780
Cost of sales	**11,435,001**	14,913,097	(3,478,096)	(23.3)	19,032,291
Gross profit	**9,638,317**	12,912,018	(3,273,701)	(25.4)	15,999,488
Selling, general and administrative expenses	**11,206,290**	15,042,954	(3,836,663)	(25.5)	19,466,842
Operating income(loss)	**(1,567,972)**	(2,130,935)	562,962	-	(3,467,354)
Non-operating income:					
Interest income	**6,196**	6,130	65		8,397
Dividend income	**40,930**	40,030	899		51,512
Insurance commission income	**5,999**	7,212	(1,212)		9,537
Rent Revenue	**87,581**	209,822	(122,241)		237,904
Other non-operating income	**42,104**	49,963	(7,859)		69,190
Total non-operating income	**182,812**	313,159	(130,346)	(41.6)	376,544
Non-operating expenses:					
Interest expenses	**144,797**	181,386	(36,588)		232,747
Stock issue expenses	**-**	1,850	(1,850)		1,850
Bond issue expenses	**-**	24,050	(24,050)		42,055
Rent expense	**137,832**	158,511	(20,679)		203,603
Other non-operating expenses	**15,927**	5,669	10,257		9,100
Total non-operating expenses	**298,557**	371,467	(72,909)	(19.6)	489,357
Recurring profit(loss)	**(1,683,718)**	(2,189,243)	505,525	-	(3,580,167)
Extraordinary income:					
Gain on sale of property, plant and equipment	**3**	373,331	(373,327)		373,331
Insurance payments received	**41,635**	988,463	(946,827)		952,759
Gain on sale of investment securities	**3,390**	8,811	(5,420)		9,375
Transfer from reserve for possible loan losses	**-**	-	-		234
Transfer from reserve for bonuses	**187,000**	-	187,000		-
Total extraordinary income	**232,030**	1,370,605	(1,138,575)	(83.1)	1,335,700
Extraordinary losses:					
Loss on disposal of property, plant and equipment	**83,526**	4,674	78,851		6,708
Loss on sales of property, plant and equipment	**6,001**	544,679	(538,678)		544,715
Loss on cancellation of lease contract	**9,114**	3,916	5,197		5,367
Loss due to disasters	**31,780**	893,530	(861,750)		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 investment securities	**28,552**	-	28,552		-
Loss on valuation of shares of affiliates	**-**	-	-		50,000
Loss on valuation of membership rights	**805**	12,025	(11,220)		16,475
New provision for resource-recycling expenses	**-**	256,740	(256,740)		256,740
Reorganization of offices expense	**125,391**	-	125,391		-
Total extraordinary losses	**285,171**	1,715,567	(1,430,396)	(83.4)	1,998,075
Income(loss) before income taxes	**(1,736,859)**	(2,534,205)	797,345	-	(4,242,542)
Corporate income, local and enterprise taxes	**78,000**	88,000	(10,000)		112,000
Net income(loss)	**(1,814,859)**	(2,622,205)	807,345	-	(4,354,542)
Unappropriated profits	**-**	(2,622,205)	-		(4,354,542)

3. Non-consolidated Statement of Changes in Net Assets for the Third Quarter

Current third quarter (April 1, 2006 to December 31, 2006)

(Thousands of Yen)

	Owners' Equity			
	Paid-in Capital	Capital Surplus		
		Capital Legal Reserve	Other Capital Surplus	
Balance at the end of previous period	12,616,253	3,215,555	6,005,855	9,221,410
Changes of items during the period				
Issuanse of new shares	1,425,581	1,424,418		1,424,418
Net income				
Purchase of treasury stock				
Reversal of profit from capital surplus			(4,354,542)	(4,354,542)
Net changes of items other than owners' equity				
Total changes of items during the period	1,425,581	1,424,418	(4,354,542)	(2,930,123)
Balance at the end of current period	14,041,834	4,639,973	1,651,313	6,291,287

	Owners' Equity			
	Earned Surplus		Treasury Stock	
	Other Earned Surplus			
	Earned Surplus brought forward			
Balance at the end of previous period	(4,354,542)	(4,354,542)	(1,610,111)	15,873,010
Changes of items during the period				
Issuanse of new shares				2,850,000
Net income	(1,814,859)	(1,814,859)		(1,814,859)
Purchase of treasury stock			(407)	(407)
Reversal of profit from capital surplus	4,354,542	4,354,542		-
Net changes of items other than owners' equity				-
Total changes of items during the period	2,539,682	2,539,682	(407)	1,034,733
Balance at the end of current period	(1,814,859)	(1,814,859)	(1,610,518)	16,907,743

	Valuation and Translation Adjustments		Net Assets
	Valuation Difference on Availble-for-sale Securities		
Balance at the end of previous period	209,741	209,741	16,082,752
Changes of items during the period			
Issuanse of new shares			2,850,000
Net income			(1,814,859)
Purchase of treasury stock			(407)
Reversal of profit from capital surplus			-
Net changes of items other than owners' equity	(52,241)	(52,241)	(52,241)
Total changes of items during the period	(52,241)	(52,241)	982,492
Balance at the end of current period	157,500	157,500	17,065,244

Events or Situations that Arouse Serious Doubt Regarding the Assumption of a Going Concern

9 months ended December 31, 2006 (April 1, 2006 to December 31, 2006)

SANIX has posted operating loss, recurring loss and negative operating cash flow in three out of four fiscal years since the year ended March 31, 2003 (i.e. in fiscal 2002 and two consecutive years ending March 31, 2006), and net loss for four consecutive fiscal years.

Moreover, during the third quarter of the current year, the HS Division, the core business of the SANIX Group, was imposed administrative punishments by the Ministry of Economy, Trade and Industry for its improper operation, including suspension of six sales offices' operation for three months from July 7, 2006. Due to the impact of these punishments, sales of the HS Division decreased significantly. As a result, for the first half of the current year, SANIX posted again operating loss of 1,567 million yen, net loss of 1,814 million yen.
These circumstances may raise a serious doubt regarding the assumption of a going concern.

On August 9, 2006, to overcome these conditions, the Board of Directors of SANIX resolved at its meeting on the Business Streamlining Plan. Specific activities and their purposes are as follows:

(1) Closing and consolidation of sales offices

In the Kanto Area where the HS Division has been underperforming, all sales offices are closed except one location that will be engaged exclusively in customer management activities. In other geographical areas, underperforming sales offices are closed and consolidated into other profitable offices. In addition, certain facilities of indirect departments are reorganized to save costs related to these facilities and to improve the profitability of the operation.

(2) Personnel reduction

Following the closing and consolidation of sales offices as described above, the number of employees will be reduced to the optimum size according to the sales revenues of respective operations. Moreover, directors' remuneration and salaries were and will be reduced during the period from August 2006 to March 2007.
As of December 31, 2006, the Company had 1,953 employees, compared to 2,803 employees as of June 30, 2006. The personnel reduction has been implemented smoothly as planned, and we believe the personnel reduction target for the year can be achieved.

(3) Other cost reduction measures

Necessary measures are taken to reduce advertising expenses and other strategic expenses as well as overhead expenses including corporate/headquarters expenses.

Actually, the above-mentioned actions were implemented by the end of September 2006, which will result in reduction in labor and other fixed costs in and after the second half of the current year. In terms of a full year, we expect that the cost will be saved by 2.2 billion yen in fiscal 2006 and by 3.5 billion yen in and after fiscal 2007.

In addition to the sales office closing and consolidation, personnel reduction and other measures to improve the efficiency of operations, SANIX will endeavor to establish a compliance system. To this end, the Company established the Compliance Department on September 1, 2006 to ensure its business development in stricter compliance with laws and regulations. The Department focuses on proactive and preventive actions to detect internal risks and implement corrections before problems may occur, and development of a “self-cleansing” operating system by strengthening the internal control functions.

Furthermore, the Department will establish a "Compliance Committee" comprising the president and other executive officers, which will meet periodically to report on the activities of the Compliance Department and the present status of compliance of SANIX, to provide a companywide compliance system.

Non-consolidated financial statements were prepared based on the assumption of a going concern, and did not reflect the impact of these serious doubts regarding our ability to continue as a going concern.

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	2 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 Non-Consolidated Balance Sheet)

(Current third quarter ended December 31, 2006)

During this third 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.

This change will have no impact on the profit and loss status of the Company.

Equity section of balance sheet, which is calculated in a conventional way reaches 17,065,244 thousand yen.

(Accounting Standard for Treasury Shares and Appropriation of Legal Reserve)

(Current third quarter ended December 31, 2006)

During this third quarter, revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (the Accounting Standards Board of Japan Statement No.1, updated on August 11, 2006), and "Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (the Accounting Standards Board of Japan Guidance No.2, updated on August 11, 2006) are adopted.

This change will have no impact on the profit and loss status of the Company.

Notes

Notes to Non-Consolidated Statement of Income

Loss on settlement of construction cost of Tomakomai Power Plant

(Prior accounting period ended March 31, 2006)

The KAJIMA CORP. sought arbitration through the Hokkaido Council for Investigation on Construction Work Disputes on a dispute between KAJIMA and Sanix regarding the payment of a contract price (399,000 thousand yen), a modification cost (359,919 thousand yen) and cleaning cost (17,417 thousand yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant. However, both parties reached an agreement on March 2, 2006, in which Sanix will pay 625,000 thousand yen. As a result, Sanix posted loss on settlement of construction cost of Tomakomai Power Plant.

Notes to Statement of Changes in Net Assets

Current third quarter (April 1, 2006 to December, 2006)

1. Number of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	31-Dec-06
Number of shares of treasury stock (Shares)	1,207,223	1,160	-	**1,208,383**

(Reasons for changes)

The number of shares increased due to a following reason

Purchase of odd stock: 1,160 shares