



Consolidated Financial Statements For the third quarter ended December 31, 2006

SANIX INCORPORATED

February 15, 2007

(Note) Quarterly financial statements are not audited.
Numbers are rounded off to the nearest whole number.

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Summary of 3rd Quarter and Forecast for March 2007

3rd Quarter: Statement of Income

(Millions of Yen)

	3rd Quarter FY2006		3rd Quarter FY2007					
	Actual	% to Sales	Actual	% to Sales	% of Change	11/15 Plan	% to Sales	Difference
Net Sales	8,344	100.0%	6,817	100.0%	-18.3%	7,410	100.0%	-592
(H S)	4,422	53.0%	3,252	47.7%	-26.4%	3,570	48.2%	-317
(E S)	1,264	15.1%	941	13.8%	-25.5%	1,125	15.2%	-183
(ERD)	2,657	31.9%	2,623	38.5%	-1.3%	2,715	36.6%	-91
Cost of Sales	4,849	58.1%	3,794	55.7%	-21.8%	4,058	54.8%	-263
Gross Profit	3,495	41.9%	3,023	44.3%	-13.5%	3,352	45.2%	-328
SGA	4,721	56.6%	3,156	46.3%	-33.2%	3,291	44.4%	-134
Operationg Profit	(1,226)	-14.7%	(132)	-1.9%	-	61	0.8%	-193
Recurring Profit	(1,257)	-15.1%	(164)	-2.4%	-	30	0.4%	-194
Net Income	(1,275)	-15.3%	(284)	-4.2%	-	(5)	-0.1%	-279

Consolidated sales decreased 18.3% compared with the same period of the previous year, and were lower than the projection by 8.0%. Sales by the HS Division and the ES Division dropped significantly, by 26.4% and 25.5% respectively, dragged by the impact of the administrative punishments. In the expense management area, cost reductions achieved in accordance with the Business Streamlining Plan contributed to the improvement of the sales cost ratio by 2.4 points and the ratio of the SGA expenses by 10.3 points. Although cost reductions greater than the planned level were achieved, the planned operating profit was not achieved due to the significant decline in sales revenues.



FY2007: Forecast for Full Year

(Millions of Yen)

	FY 2006			FY2007			
	Actual	% to Sales	% of Change	Revised Forecast	% to Sales	% of Change	Previous Forecast
Net Sales	36,509	100.0%	-17.2%	29,250	100.0%	-19.9%	30,877
(H S)	20,905	57.3%	-22.1%	15,167	51.9%	-27.4%	15,875
(E S)	5,406	14.8%	-22.0%	4,114	14.1%	-23.9%	4,507
(ERD)	10,198	27.9%	-1.1%	9,968	34.1%	-2.3%	10,495
Cost of Sales	20,048	54.9%	-11.4%	16,413	56.1%	-18.1%	16,835
Gross Profit	16,461	45.1%	-23.3%	12,836	43.9%	-22.0%	14,042
SGA	19,844	54.4%	-7.4%	14,522	49.7%	-26.8%	14,735
Operating Profit	(3,382)	-9.3%	-	(1,686)	-5.8%	-	(693)
Recurring Profit	(3,479)	-9.5%	-	(1,794)	-6.1%	-	(799)
Net Income	(4,252)	-11.6%	-	(2,014)	-6.9%	-	(929)

Sales forecasts for the HS Division and the ES Division were modified conservatively, based on the actual sales recorded in January 2007 and considering the impact of the fire that occurred in the Tomakomai Power Plant of the ERD Division on January 15, 2007. Cost of sales forecast was reviewed, based on the actual cost of sales recorded in January and the modified sales forecast. The ratio of SGA expenses to sales is estimated to decrease to 49.7% since streamlining measures have been progressing as planned.



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FY2007: Quarterly - Segment Information

(Millions of Yen)

		FY2007								
		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		
		Actual	% to Sales	Actual	% to Sales	Actual	% to Sales	Revised Forecast	% to Sales	Previous Forecast
HS	Net Sales	5,251	100.0%	3,223	100.0%	3,252	100.0%	3,440	100.0%	3,830
	Gross Profit	3,722	70.9%	2,082	64.6%	2,232	68.6%	2,385	69.3%	2,710
	SGA	2,827	53.9%	2,163	67.1%	1,833	56.4%	1,775	51.6%	1,810
	Operating Profit	894	17.0%	(80)	-2.5%	399	12.3%	610	17.7%	900
ES	Net Sales	1,226	100.0%	985	100.0%	941	100.0%	960	100.0%	1,170
	Gross Profit	545	44.5%	399	40.5%	374	39.8%	375	39.1%	515
	SGA	588	48.0%	531	53.9%	420	44.6%	428	44.6%	440
	Operating Profit	(42)	-3.5%	(131)	-13.3%	(45)	-4.8%	(53)	-5.5%	75
ERD	Net Sales	2,489	100.0%	2,355	100.0%	2,623	100.0%	2,500	100.0%	2,935
	Gross Profit	183	7.4%	(101)	-4.3%	416	15.9%	221	8.8%	633
	SGA	406	16.3%	388	16.5%	363	13.9%	348	13.9%	349
	Operating Profit	(223)	-9.0%	(490)	-20.8%	52	2.0%	(127)	-5.1%	284
Elimination and/or Corporated	Operating Profit	(743)	-	(655)	-	(539)	-	(510)	-	(540)



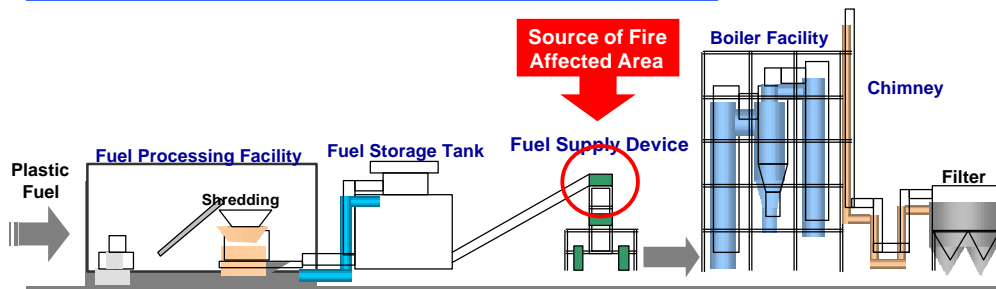
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Fire at Tomakomai Power Plant and the “Business Streamlining Plan”

Fire at Tomakomai Power Plant



Cause for Fire

Date: January 15

A fire broke out at the fuel supply device for Boiler No. 1 during a regular repair on the boiler

Status quo:

Only the Boiler No.2 is in operaton
Finish repairing by the end of February

Cause for Fire

The cause is believed to be the ignition of plastic resulting from the rising temperature of the heater in the fuel supply device

Effect of Fire

Strengthen fire prevention system

Enlarge fire prevention system, review scheme and employee education programs

Effect of Fire on Revenue

Effect on Sales 190 million yen

Effect on Recurring P/L 200 million yen

*Restoration and repair expenses will be covered by insurances.

The Progress of "Business Streamlining Plan"

Consolidation of Offices (Plan)

HS Division

108 stores(at the end of July 2006) 81 Stores

ES Division

35 stores (at the end of July 2006) 23 Stores

Indirect Section

Relocation of 3 regional headquarters

Closing of 1 training center and 4 dormitories

Personnel Reduction (Plan)

Estimated no. of reduction by the end of September: 660

No. of Employee: 2,803(June) 2,143(September)

Wage Reduction (Plan)

Pay cut from August to March 2007

Consolidation of Offices (Progress)

HS Division

108 stores(at the end of July 2006) 71 Stores

10 stores were consolidated in November.

ES Division

35 stores (at the end of July 2006) 24 Stores

12 stores were closed, and 1 new sales office was opened.

Indirect Section

Carried out as planned

Personnel Reduction (Progress)

2,803 2,269 1,953
(June) (September) (December)

Reduced 850 employees by the end of December

Wage Reduction (Progress)

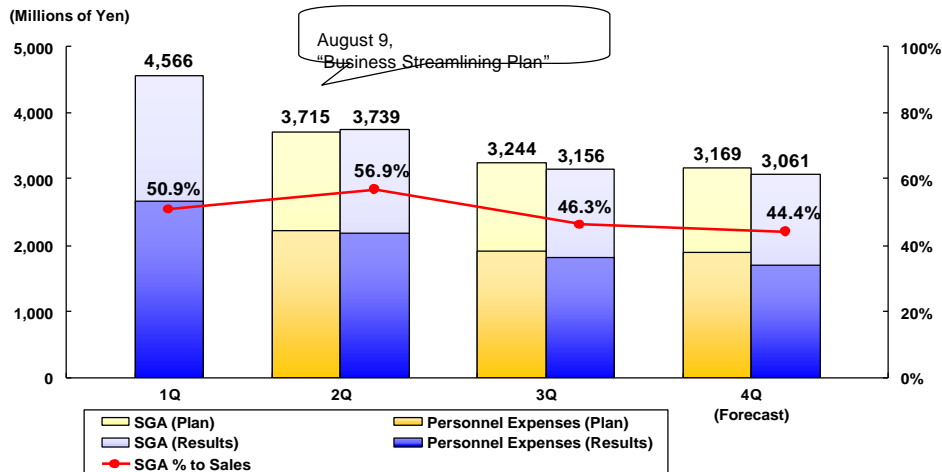
Carrying out as planned



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The Progress of Cost Reduction : SG&A

SG&A: Quarterly Plan and Results, FY2007



Selling, general and administrative expenses
Streamlining measures have been progressing as planned.



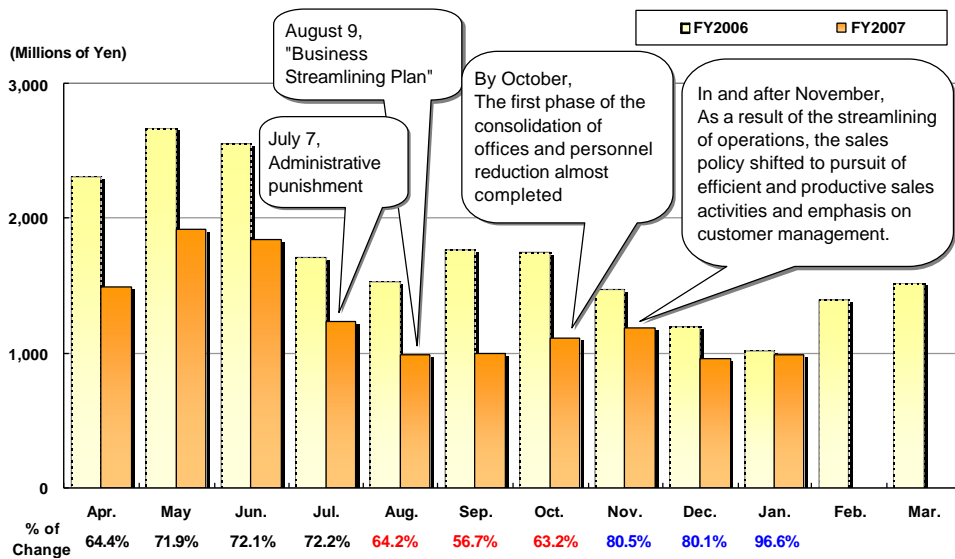
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Summary of HS Division

HS Division: Monthly Sales Volume



HS Division: Sales Activities

Shift of the Sales Policy

Shift to more efficient sales approach

Formerly, the Company has adopted a simple sales approach to contact every possible household to find potential needs for its services. However, because the personnel size was reduced, it is necessary to implement more efficient sales activities.

After the 1st phase of personnel reduction finished in Nov, we shifted to put emphasis on customer management.

Deepen relation with existing customers by fine-tuned customer management which will lead to referral of prospective customers.

Focus on quasi-new customers

As part of the effort to increase customers, sales activities that put emphasis on quasi-new customers were implemented. Aiming at activating dormant customers, we contact former customers who did not renew their contract after the expiry of the service guarantee period to propose renewal of contracts or new services.

Sales efficiency and productivity improved sharply as a result of the shift to the sales approach that puts emphasis on customer management.

Quality improvement in sales activities

Review of employee education and retraining

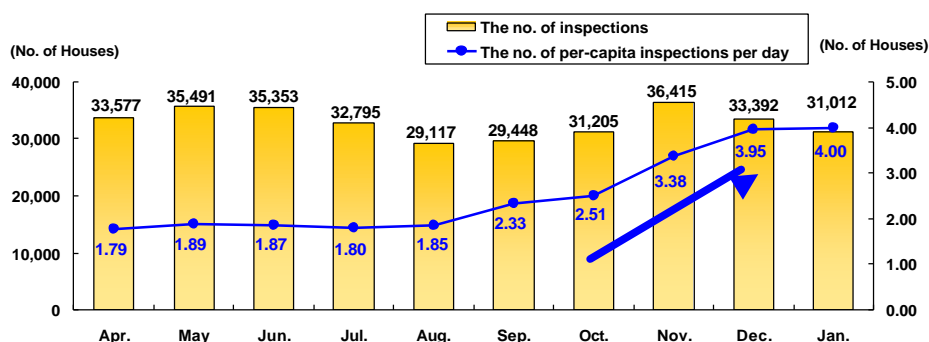
The former sales reps education program was reviewed and restructured into a program that aims at developing high-quality sales representatives who conduct sales activities in compliance with the Specific Commercial Transactions Law. A sales representative who passes the examination implemented during the education program is registered as a qualified sales representative with the Japan Direct Selling Association, and receives a Certificate of Completion of House-Call Sales Representative Education from the Association. All existing sales representatives are expected to complete this retraining and receive the certificate by the end of March 2007. We believe that the quality of sales activities will be enhanced by this education.



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HS Division: Sales Efficiency

The Number of Per-capita Inspection per Day



Sales efficiency after the administrative punishments

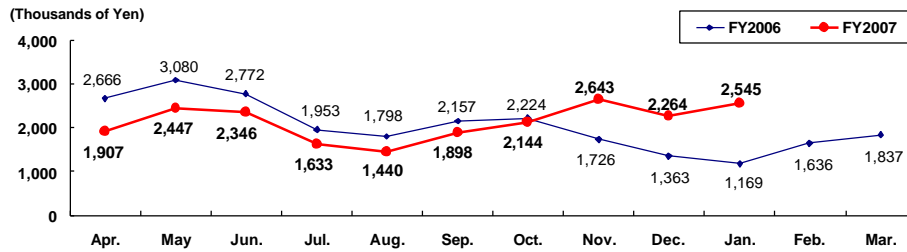
The number of inspections had increased modestly by the end of October after reaching the bottom in August. In November, The number of inspections increased by 25% compared with August as a result of the shift to the sales policy that emphasizes customer management. Although the number of inspections decreased in December and January because they included fewer business days than other months, the number of per-capita inspections per day almost doubled compared with the first half of the year. It indicates that a system ensuring efficient sales activities has been established and successfully operated.



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HS Division: Sales Productivity

Monthly Sales Revenues per Sales Representative



<The Number of Sales Representative>

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FY2006	867	866	922	878	854	817	788	854	877	875	855	825
FY2007	781	784	786	759	685	526	517	449	423	388	-	-

Sales productivity after the administrative punishments

As a result of personnel reduction carried out in accordance with the Business Streamlining Plan, the number of sales representative has decreased significantly since July 2006. On the other hand, monthly sales by the HS Division remained flat at the level of about 1 billion yen. Accordingly, sales revenues per sales representative have increased, after hitting the bottom in August. Sales per capita in January 2007 increased 77.6% compared with August. The sales productivity has recovered fully to the level recorded in the first quarter that was the busiest season for the HS Division.



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HS Division: Launching New Service

New Service "SANIX Foundation Repairing Treatment"

Outline of the Service

This service provides treatments that repair cracks caused in the housing foundation over time, maintain the strength of the foundation and curb the progress of degradation of the housing foundation

Selling Price

In a typical case of a common wooden house, the selling price will be about 400,000 yen
Launching new service to the market from the middle of February

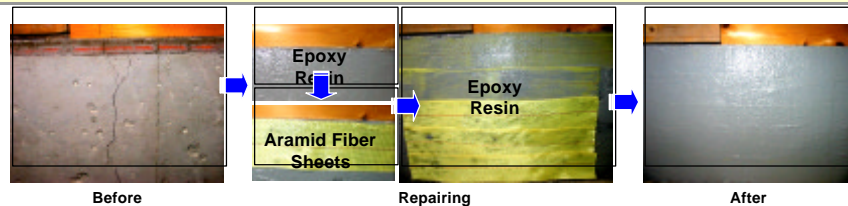
Sales Strategy

When launching new products to the market, we will direct our sales efforts toward our existing customers
¾ customers that have a history of doing business with us (approx. 320,000 customers).

Impact of the New Service on Sales

The impact of the starting of "SANIX Foundation Repairing Treatment" service is not included in the forecast of operational results for the year ending March 31, 2007.

(We aim to take 750 orders a month from coming April onward)



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