SANIX INCORPORATED

Consolidated/Non-Consolidated

Financial Summary

For the Fiscal Year ended March 31, 2008

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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.

May 14, 2008

Consolidated Financial Statements

For the Fiscal year ended March 31, 2008

SANIX INCORPORATED

Stock Listed:	Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange
Code No.:	4651
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President and CEO:	Shin-ichi Munemasa
Contact:	Kozo Inoue, Managing Director, Administration Department, Management and Planning Division

1. Consolidated Financial Highlights for the Year ended March 31, 2008

(April 1, 2007 to March 31, 2008)

(1) Consolidated Operating Results

(Millions of Yen)

	Fiscal Year between April 1 and March 31			
	FY2006	% change	**FY2007**	**% change**
Net Sales	28,908	(20.8%)	**26,510**	**(8.3%)**
Operating Income	(1,568)	-	**596**	-
Recurring Profit	(1,659)	-	**495**	-
Net Income	(1,930)	-	**(2,547)**	-
Net Income per Share(¥)	(¥43.03)	-	**(¥53.40)**	-
Net Income per Share, Diluted(¥)	-	-	-	-
Return on Equity	(11.3%)	-	**(15.7%)**	-
Ratio of Recurring Profit to Net Assets	(4.7%)	-	**1.7%**	-
Ratio of Operating Income to Net Sales	(5.4%)	-	**2.2%**	-

(2) Consolidated Financial Position

(Millions of Yen)

	Fiscal Year from April 1 to March 31	
	FY2006	**FY2007**
Total Assets	32,705	**25,957**
Net Assets	17,540	**14,863**
Shareholders' Equity Ratio (%)	53.6%	**57.2%**
Net Assets per Share (¥)	¥367.19	**¥311.06**

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2008	14,840 million yen
Fiscal Year ended March 31, 2007	17,518 million yen

(3) Consolidated Financial Cash Flows

(Millions of Yen)

	Fiscal Year from April 1 to March 31	
	FY2006	**FY2007**
Cash Flows from Operating Activities	(1,006)	**1,156**
Cash Flows from Investing Activities	1,583	**2,459**
Cash Flows from Financing Activities	(1,380)	**(3,191)**
Balance of Cash and Cash Equivalents at End of Period	595	**1,019**

2. Dividends

	Fiscal Year from April 1 to March 31		
	FY2006	**FY2007**	FY2008(Forecast)
Dividend per Share at the end of 1st Half (¥)	-	**-**	-
Dividend per Share at the end of the year (¥)	-	**-**	-
Annual dividend per Share (¥)	¥0.00	**¥0.00**	¥0.00
Total dividend	-	**-**	-
Pay-out ratio (%)	-	**-**	-
Ratio of dividend to total capital (%)	-	**-**	-

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2009)

(Millions of Yen)

	First Half as of September 30	Full Year ending March 31
	FY2008	
Net Sales	14,256	29,297
Operating Income	291	1,922
Recurring Profit	275	1,882
Net Income	227	1,680
Net Income per Share(¥)	¥4.77	¥35.23

4. Others

(1) Change in application range of consolidation and equity method: None

(2) Change in Accounting Method: 2

Accounting method for reserve for directors' retirement allowances and depreciation of the tangible fixed assets.

(3) Number of Shares Issued and Outstanding at Period End

(Shares)

	Fiscal Year From April 1 to March 31	
	FY2006	**FY2007**
Number of shares issued and outstanding at period end	48,919,396	**48,919,396**
Number of treasury stocks at period end	1,208,663	**1,209,043**

Reference: Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for the Fiscal Year ended March 31, 2008

(April 1, 2007 to March 31, 2008)

(1) Non-Consolidated Operating Results

(Millions of Yen)

	Fiscal Year between April 1 and March 31			
	FY2006	% change	**FY2007**	**% change**
Net Sales.	27,457	(21.6%)	**25,488**	**(7.2%)**
Operating Income.	(1,497)	-	**653**	**-**
Recurring Profit.	(1,650)	-	**369**	**-**
Net Income.	(1,865)	-	**(2,667)**	**-**
Net Income per Share(￥).	(¥41.58)	-	**(¥55.90)**	**-**
Net Income per Share, Diluted(￥).	-	-	**-**	**-**

(2) Non-Consolidated Financial Position

(Millions of Yen)

	Fiscal Year from April 1 to March 31	
	FY2006	**FY2007**
Total Assets.	32,261	**25,410**
Net Assets.	17,016	**14,219**
Shareholders' Equity Ratio (%).	52.7%	**56.0%**
Net Assets per Share (￥).	¥356.66	**¥298.03**

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2007	17,016 million yen
Fiscal Year ended March 31, 2008	14,219 million yen

2. Forecasts for Non-Consolidated Business Results

(For the fiscal year ending March 31, 2009)

(Millions of Yen)

	First Half as of September 30	Full Year ending March 31
	FY2008	
Net Sales.	13,150	26,612
Operating Income.	289	1,921
Recurring Profit.	244	1,824
Net Income.	201	1,632
Net Income per Share(￥).	¥4.23	¥34.22

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.

I. Business Results

1. Earnings

(1) Current Fiscal Year Overview

During the fiscal year ended March 31, 2008, while Japanese economy remained steady with the increase in capital investments supported by the improving corporate profits, people's sense of uncertainty for the future has become strong due to the sub-prime loan problem in the U.S, the sharp rise of the crude price and other factors.

In the environmental sanitation industry, people's consciousness of environmental preservation including recycling has enhanced. Moreover, their interest in the maintenance of houses and buildings remained strong. The environmental sanitation industry's role as a "venous" industry has increasingly become important. Under these circumstances, it is necessary for a company to maintain high corporate posture by providing attractive products and demonstrating responsiveness to customer requests to get ahead of competitors and to be chosen by discerning consumers.

Under these circumstances, the SANIX Group reinforced legal compliance and customer-oriented marketing to recover customer confidence in the Company. At the same time, SANIX focused on improving productivity, reducing costs and implementing other streamlining measures to improve profitability.

The operating results of the HS Division recovered after difficulties that have continued since the previous second quarter. In the Environmental Resource Development Division, the safety program was redesigned in response to a fire that occurred at the SANIX Energy Tomakomai Power Plant (Tomakomai, Hokkaido) in the fourth quarter of FY2006. Since this redesign took longer than expected, the operating results of the Division were adversely affected temporarily. The operation of the Plant was also suspended voluntarily in November 2007, in response to the detection of exhaust gas exceeding the density limit designated in the pollution control agreement, until the cause was identified and measures for preventing recurrence were implemented. As a result of these suspensions of the power plant operation, acceptance of waste plastic was limited to minimize the expansion of the plastic fuel stock. Moreover, to concentrate management resources on the Home Sanitation Division, which is the core business of the Group, the Kitakyushu Plant (engaged in incineration and plastic processing) was transferred to Asahipretec Corporation on November 6, 2007.

As a result, sales for the fiscal 2007 totaled 26,510 million yen, which was an 8.3% decrease from the last year. Recurring profit improved to 495 million yen (compared with recurring loss of 1,659 million yen in the previous year). This improvement was mainly due to the improvement in profit structure achieved through cost reduction and recovery of sales in the HS Division where the marginal profit ratio is high. Cash flow expected in the future was reviewed stringently for an asset group comprising the SANIX Energy Tomakomai Power Plant and the plastic recycling plants that supply fuel plastics to the Tomakomai Power Plant. As a result of this review, impairment loss of 2,687 million yen was recorded in connection with a significant decline in the value of land owned by these plants. Moreover, 271 million yen was provided to the reserve for retirement bonuses (expected amount of directors' bonuses accrued at the end of the fiscal year), associated with the change in the accounting of retirement bonuses. This provision was recorded as an extraordinary loss. Before the change, directors' retirement bonuses were recorded as expenses when they were paid. Consequently, net loss increased to 2,547 million yen, compared with a net loss of 1,930 million yen in the previous year.

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

Earnings of Individual Divisions:

Home Sanitation Division

Sales by the HS Division recovered from stagnation and increased 3.2% to 15,691 million yen compared with the previous year, supported by strong sales of the House Foundation Repair and Reinforcement Service, a new business started in fiscal 2007.

Operating profit increased significantly to 4,176 million yen from operating profit of 1,992 million yen in the same period of the previous year. Major reasons for this improvement were improved productivity that resulted in improved ratio of labor cost to sales, and reduced fixed expenses. The ratio of operating profit to sales increased to 26.6%, a 13.5 points increase from the same period of the previous year.

Establishment Sanitation Division

To improve its marketing efficiency, the ES Division has promoted shift from marketing to individual owners to collaboration with building management companies and other institutional customers. However, the positive impact of this shift has not seen yet since such marketing approach takes rather long time until contracts and installations are completed. Accordingly new sales decreased. As a result, sales decreased by 18.3% to 3,340 million yen.

The decline in revenue could not be offset fully by cost reductions promoted mainly in SGA expenses. As a result, an operating loss of 201 million yen was recorded (compared to an operating loss of 210 million in the previous year).

Environmental Resources Development Division

Revenues from electric power sales declined by 32.4% from the last year. This sharp decline was due to the fire occurred at the SANIX Energy Tomakomai Power Plant in the fourth quarter of FY2006 and the subsequent shutdown of the plant to the middle of June 2007, during which facilities for preventing fire and other accidents and the control system at the Plant were reinforced. In addition, the operation of the plant was temporarily suspended from November 27 to December 16, 2007 in response to the detection of exhaust gas exceeding the density limit designated under the pollution control agreement. Revenues from the Waste Plastic Processing business also decreased by 20.0% because only a limited volume of waste plastic was accepted to minimize expansion of the stock level of waste plastic fuel during the shutdown of the Tomakomai Power Plant. Revenues from the incineration business decreased by 52.5% from the last year, due to the sale of the Kitakyushu Plant on November 6, 2007. And revenues from the Organic Liquid Waste Processing business increased by 1.4% from the last year.

As a result, total sales by the ERD Division decreased by 22.2% to 7,478 million yen. Operating loss increased to 1,269 million yen from 913 million yen in the previous year.

(2) Prospect for Next Year

SANIX will further strengthen its efforts that have been continued since last year to improve its profit-generating structure and the compliance system. The pursuit of a “robust corporate structure” and “improvement of customer satisfaction” will promote performance recovery and return the Company to the growth path.

In the HS (Home Sanitation) Division, sales are expected to recover modestly. The Division will strive to further improve productivity of operations and promote reduction of fixed and other costs to improve its profit ratio. The ES (Establishment Sanitation) Division will strive to recover sales results by improving its operational efficiency and acquiring new customers. To this end, the target of marketing and sales activities will be expanded to include facility management, real estate and other companies. In the Environmental Resources Development Division, the assignment of the Kitakyushu Plant completed in fiscal 2007 will have some negative impact on sales revenues. However, sales expansion is expected at the Tomakomai Power Plant, supported by the conclusion of power sales contracts with favorable conditions. Moreover, in waste plastic plants, the limitation on acceptance of waste plastics was released and the processing volume is also recovering as a result of stable and continuous operation of the Tomakomai Power Plant. Thus, it is expected that the ERD Division will achieve steady sales growth in fiscal 2008.

The ERD Division, which has had negative impact on operating profit in the past, is expected to record operating profit in fiscal 2008. Moreover, the HS Division, which generates a high marginal profit, will continue to grow strongly. Accordingly, overall operating profit will be pushed up, and it is expected that the Company will report a positive net income in fiscal 2008, recovering from the net loss in fiscal 2007.

(3) Mid-term Business Plan

On April 22, 2008, the SANIX Group announced “Spring Plan 2010”, its med-term business plan for three years from the year ending March 31, 2009 to the year ending March 31, 2011. The Group has determined it necessary to reanalyze the factors for the sluggish performance in recent years and formulate a highly feasible mid-term business plan for further recovery and a full-scale shift to a growth company.

While the HS Division is not expecting an increase in sales, a high operating profit margin is expected to be maintained. The ES Division expects to return to profitability by establishing a system focusing on corporate customers to improve the efficiency of the business. The ERD Division expects a dramatic improvement in operating profit margin for the fiscal 2008 from stable operation of the electric power plant and a change in customers for electricity sales.

As a result, the Group is aiming for a consolidated operating profit margin exceeding 10% in the fiscal year ending March 2011, the final year of the Mid-term Business Plan.

2. Financial Condition

(1) Assets, Liabilities and Net Assets

(Assets)

Current assets decreased 3.4% from the end of the previous year to 3,985 million yen, mainly due to the decrease in “Other accounts receivable” by 164 million yen.

Fixed assets decreased 23.1% to 21,972 million yen. This decrease was mainly due to a decrease in tangible fixed assets of 5,645 million yen, as a result of depreciation of tangible fixed assets, assignment of the Kitakyushu Plant business, and recording of impairment loss.

(Liabilities)

Current liabilities increased to 9,411 million yen, almost the same level as the end of the previous year. The major factor for this increase was the increase of short-term loans payable by 2,655 million yen resulting from temporary refinancing of long-term loans payable into short-term loans payable, which was partially offset by the decrease in the current portions of long-term loans payable and corporate bonds by 1,662 million yen and 330 million yen, respectively.

Fixed liabilities decreased by 70.7% to 1,683 million yen. This significant decrease was mainly due to decreases in long-term loans payable of 2,199 million yen, liabilities to directors of 975 million yen, and corporate bonds of 425 million yen.

(Net Assets)

Net assets decreased 15.3% to 14,863 million yen, mainly due to decreases in capital surplus of 1,865 million yen and retained earnings of 682 million yen.

(2) Cash Flows

As of March 31, 2008, cash and cash equivalents totaled 1,019 million yen on a consolidated basis, an increase of 424 million yen from as of March 31, 2007.

(Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 1,156 million yen (up 2,162 million yen from the last year), mainly as a result of streamlining, which led to higher sales productivity and cost reduction, hence greater profitability.

(Cash Flows from Investing Activities)

Net cash provided by investing activities totaled 2,459 million yen (up 875 million yen from the previous year). The major factor for this increase was proceeds from the sales of tangible fixed assets included in the sales of the Kitakyushu Plant.

(Cash Flows from Financing Activities)

Net cash used for financing activities totaled 3,191 million yen, a decrease of 1,811 million yen from the previous year. Here, accelerating the repayment of debt was responsible.

The Cash Flow Indicators:

	FY2003	FY2004	FY2005	FY2006	FY2007
Shareholders' equity ratio	56.8%	48.1%	44.2%	53.6%	57.2%
Shareholders' equity ratio on a market price basis	62.4%	67.9%	62.6%	30.4%	41.8%
Debt-redemption years	—	7.05 year	—	—	5.05 year
Interest coverage ratio	—	7.96	—	—	6.55

(Note) Shareholders' equity ratio: Shareholders' equity/Total assets

Share ratio on a market price basis: Total market value of stock/Total assets

Debt-redemption years: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

1. Each indicator is calculated based on consolidated financial results.
2. Total market value of stock is calculated by: closing price at the year-end x outstanding shares at the year-end.
3. The operating cash flow in this table is cash flow from operating activities reported on the consolidated cash flow statement. Interest-bearing liabilities cover all liabilities reported on the consolidated balance sheet for which interest is paid. Interest payment used in the calculation of the interest coverage ratio is the amount of interest expense reported on the consolidated cash flow statement.
4. Debt redemption years and interest coverage ratio data are not included in the table above for the year ended March 2004, 2006 and 2007 as the operating cash flow was negative in these years.

3. Basic Corporate Policy for Profit Distribution

SANIX operates its business focusing on the return profit to shareholders. One of our business policies is to increase dividends to shareholders by expanding the scope of our operators and improving earnings, while ensuring stable dividends based on the ratio according to shareholders' equity and other factors.

However, during the current year, the Company will not pay dividends for the year, considering net loss was recorded. The Company will strive for further improvement of operating results so that it can make stable distribution of profits to shareholders in the next fiscal year, meeting shareholders' expectations, based on operating results and future plans for business development.

4. Business and Other Risks

Major risks that may affect the operating results and business of the SANIX Group are described below. Recognizing the possibility of occurrence of these risks, the SANIX Group endeavors to take proper measures to avert these risks and minimize the impact in the event of occurrence.

Certain future-related statements included in this document are estimates made by the Company based on the information available at the end of the current fiscal year.

(1) Laws and regulations concerning door-to-door-sales

Sales activities of the HS Division are mainly conducted by the door-to-door calls, which should be made in compliance with, and are subject to restrictions of, the Specific Commercial Transactions Law and the Consumer Contract Law. These laws and regulations are becoming severer lately, from the viewpoint to strengthen the protection for consumers. The Company ensures compliance with applicable laws and regulations in order to protect our customers. However, if the Division fails to comply with the current and future laws and regulations applicable to its businesses, the operating results or financial position of the Division may be negatively impacted.

(2) Movement in the door-to-door-sales industry

Any further detection of dishonest housing improvement operators, and subsequent reports in the media might have a negative impact on the Company's future business.

(3) Laws and regulations concerning waste treatment

The businesses of the ERD Division require certain approvals and permits of administrative authorities, should satisfy environmental emission standards and should comply with the provisions of laws and regulations concerning waste treatment. If the Division fails to comply with the current and future laws and regulations applicable to its businesses, or if revenue expansion is offset by a huge amount of costs necessary to comply with severer regulations, the operating results or financial position of the Division may be negatively impacted.

(4) Retention and development of human resources

The SANIX Group must recruit, retain and develop a number of competent workers engaged in sales, engineering and other functions in order to identify potential needs of customers, and to conduct operations of execution of contracts, service applications and customer control. The SANIX Group endeavors to recruit, retain and develop excellent workers through the adoption of the ability-based and performance-based personnel management policy, recruitment of experienced workers in addition to the recruitment of new school graduates, and provision of various training and education programs. However, the operating results of the Company may be negatively affected by a decline in the number of employees resulting from resigning of existing workers, lowering of productivity due to the addition of new workers.

(5) Resource recycling power generation system

The SANIX Energy Tomakomai Power Plant plays a core part in the Company's resource-recycling power plant business, using waste plastics as its fuel. As a result of the reinforcement of its disaster prevention system and improvement and maintenance of the waste plastic fuel quality, the Tomakomai Plant has maintained consistent operation since August 2007. However, since the fuel is reprocessed from waste plastic, its quality or nature is not always uniform, which may give adverse effect on the stable and continuous operation of the power plant, and, in turn, on the operating results and financial position of the Company.

(6) Industrial accident/ disaster

The SANIX Group endeavors to achieve accident-free and disaster-free operations in all aspects of its businesses. However, if a material industrial accident or disaster occurs in any plant of the SANIX Group, its reputation in society will be damaged, payment of compensations for damage and other costs will be incurred to respond to such accident/disaster. In addition, during the suspension of operation caused by such accident/disaster, the Company will incur opportunity loss, which may have negative impact on the operating results and financial position of the Company.

II. Group Outline

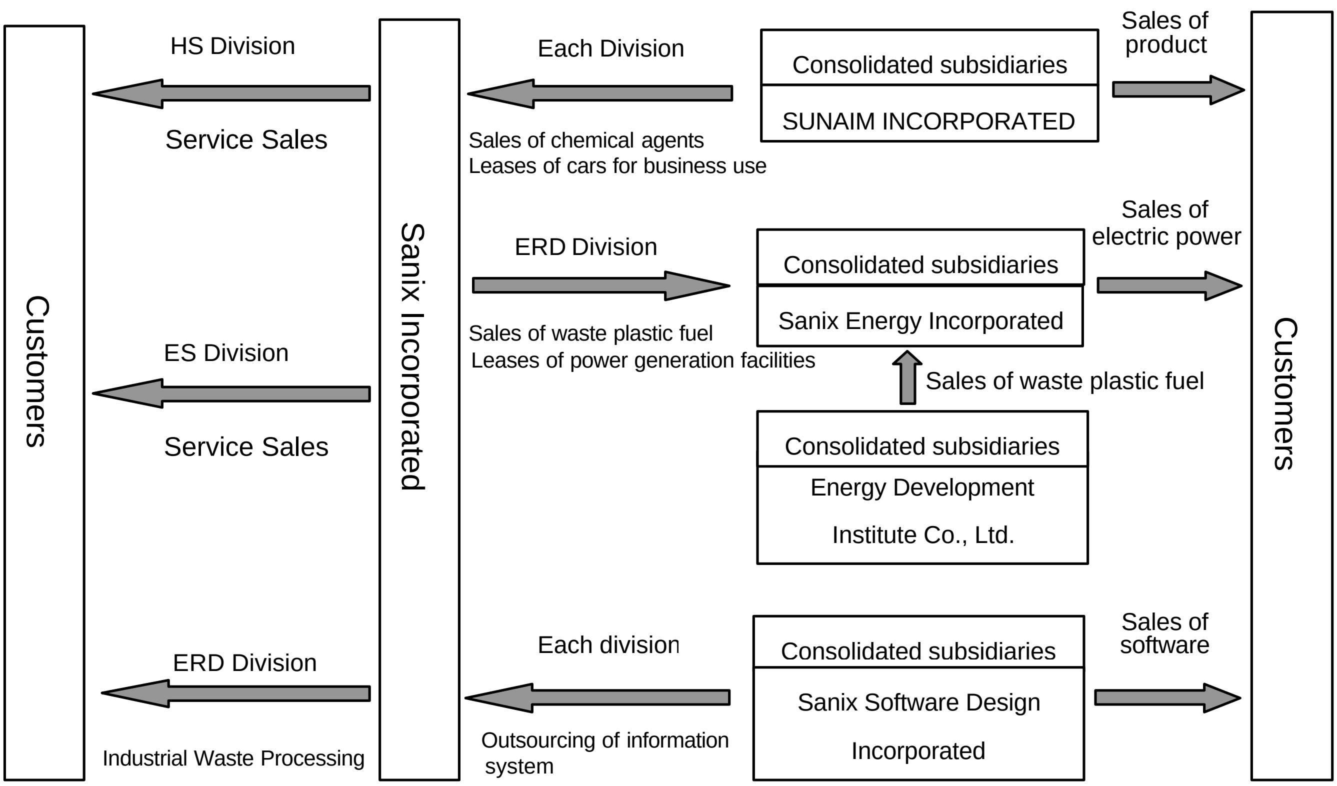
The SANIX Group is composed of SANIX Incorporated and 6 subsidiaries. SANIX's core businesses are residential environmental sanitation and maintenance, sanitation services for office buildings, intermediate processing of industrial waste and electricity generation with a focus on recycling resources.
These businesses are operated by each group company as shown below.

HS Division: The division offers environmental sanitation services for ordinary houses. The main services and products are Termite Eradication Service, Foundation Repairing Treatment, Under-Roof/Floor Ventilation System, and Home Reinforcement System.

ES Division: The division offers environmental sanitation services for offices and condominium. The main services are Anti-rust equipment installation, Repair of building water-works and Waterproofing of building.

ERD Division: The division focuses on reducing, detoxifying, recycling and treating industrial waste. Sanix sells industrial plastic waste processed at its plastic recycling plants to Sanix Energy Incorporated, a consolidated subsidiary. Sanix Energy Incorporated, a consolidated subsidiary, is responsible for generating and selling power from the Tomakomai Power plant, which solely utilizes industrial waste plastic, which are purchased from Sanix incorporated and Energy Development Institute Co., Ltd.

SANIX Incorporated purchases chemicals used in each division, and leases vehicles for operations, from Sunaim Incorporated, its consolidated subsidiary. SANIX purchased information system services relating to each of its divisions from Sanix Software Design Incorporated.



III. Business Policies

1. Fundamental Business Policies

Our corporate mission since our founding has been “Cleaning Up and Sanitizing Our Environment.” Under this concept, we have provided a broad range of environmental sanitation services to society. SANIX offers residential and commercial environmental sanitation services, and facility maintenance services for office buildings, apartment buildings, and other facilities. It is also engaged in industrial waste processing, focusing chiefly on waste recycling; and electricity generation utilizing recycled plastic waste.

In these three areas, SANIX is aggressively developing its ecological business by exploring latent demand, improving services and technology and constantly tailoring services to best suit customer needs. In operating these businesses, SANIX is endeavoring to enhance its profitability and capital efficiency to maximize its corporate value.

2. Target Management Indices

The SANIX Group aims at continuous improvement in profits based on mid- and long-term business strategies. The Company will implement serious cost reduction efforts and strengthen management structure. Among various management indices, we should focus on the ratio of operating profit to revenues, which clearly reflects the status of our productivity and the balance with the costs. The Company targets at achieving the ratio of operating profit to revenues of 10% in the medium term.

3. Medium- and Long-Term Business Strategies and Issues to Be Addressed

(1) HS Division

The HS division will continue emphasizing compliance with applicable laws and regulations to ensure the protection of consumers. The division is determined to make efforts to create a marketing organization that is closely connected to the local community, and to provide existing customers good after- sales service through our Termite Eradication Service, Under-Roof/Floor Ventilation Systems, and House Foundation Repair and Reinforcement Treatment. In the medium to long term, the HS Division will consider collaboration with other companies, aiming at establishing new marketing techniques, in addition to door-to-door sales. And to improve the operating profit ratio of the division, which should achieve a high profit margin by improving operating efficiency, increasing the number of employees, and introducing new products.

(2) ES Division

The ES Division is cultivating markets mainly in the metropolitan areas where office buildings, apartment complexes, and other large facilities are concentrated. The Division provides, as its core business, maintenance and repairing service for water pipes in buildings and apartment houses. Through provision of regular maintenance programs to existing customers, the Division will also explore additional needs for maintenance and repairing of all facilities within their buildings. In the medium to long term, a corporate customer marketing system targeting realtors, facility management companies and other companies will be established. At the same time, efficiency in marketing and installation work should be improved to reduce costs and increase sales, which will lead to improvement in the operating profit ratio.

(3) ERD Division

The main business of ERD division is resource-recycling power generation by using fuel recycled from waste plastic in its recycling plants. As for the application of waste plastic processed by the Division's plants, the Division pursues sales to other customers than power plants to expand the sales volume of plastic fuel for which demand is high as an alternative of fossil fuel. Expansion of the customer base will contribute to improvement of its business profitability.

4. Challenges the Company faces

We expect that the business environment surrounding the Company will remain severe; however, the environmental industry will play an important role in society due to a rising demand for environmental protection. Under such circumstances, the following are managerial challenges to be tackled in order for our three main businesses to prosper.

(1) Promotion of compliance

In order to be trusted by more customers and to provide comfortable environment more extensively, one of the most important issues for the Company, as the leading "Eco Business" company, is promoting strict compliance with laws and regulations, from the viewpoint of consumer protection, following our principle of "Customers Come First." Education and training will be provided regularly to employees to enhance their morality and knowledge on legal compliance, to ensure delivery of safe and comfortable house environment to customers. At the same time, the Company pays close attention to environment conservation when conducting its operations, including ensuring proper treatment and disposition of industrial waste it generates.

(2) Strengthening sales and management system

The Company needs to establish high quality sales and management systems, where we can increase close contact with our customers and cultivate underlying demand. SANIX, a team of experts, will firmly establish its brand image and employ efficient sales and management systems.

(3) Recruitment and training of employees

In accordance with our Management Philosophy, “Our job is to educate and education means management”, we are committed to improve corporate value and our services by recruiting more people and training employees. From the perspective of protecting customers, we are required to ensure compliance with applicable laws and regulations. The Company considers it is our corporate mission to raise the quality of our employees as well as products and services. Specifically, we are determined to provide employees with substantial and specific training on recruitment, at each managerial class, and at each position.

(4) Development of new products

A key issue for the Company is the development of new products and improvement of existing products. In HS division, our mission is to protect customers' wooden houses from damage caused by termites, humidity, and natural disasters such as typhoons and earthquakes so that we can provide a comfortable living environment. ES division needs to develop new services for maintaining corporate buildings. The Environmental Resources Development Division will strive for development of value-added alternatives to fossil fuel to create new market needs, including diversifying the applications of plastic fuel for which strong demand growth is expected.

(5) Sales of waste plastic fuel

Along with increasing the amount of waste plastic processing, ERD division now sells waste plastic fuel as part of the creation of the so-called recycling oriented society. As waste plastic fuel could be an alternative energy source to fossil fuel, our foremost issue is to develop a suitable profile of this fuel, and secure the stable quality and volume of fuel production in order to meet customer demand.

(6) Bolster disaster-prevention countermeasures

We make every effort to give first priority to safety at each plant in ERD division. The Company takes sincerely the gravity of the fire that occurred at the SANIX Energy Tomakomai Power Plant in the fourth quarter last year. It reviews and strengthens its disaster prevention system based on opinions of external specialists to ensure safe operations of its business.

5. Other Significant Management Issues

No applicable matter.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31				
Assets:	FY2006	% of Total	**FY2007**	**% of Total**	Difference
Current Assets:					
Cash and bank deposits	595,837		**1,019,848**		424,011
Notes and accounts receivable	2,224,933		**1,855,584**		(369,349)
Inventories	842,464		**744,745**		(97,719)
Deferred income taxes	124		**160,000**		159,875
Other current assets	519,715		**289,141**		(230,574)
Allowance for doubtful accounts	(57,400)		**(83,857)**		(26,456)
Total Current Assets:	4,125,675	12.6%	**3,985,462**	**15.4%**	(140,212)
Fixed Assets:					
Tangible Fixed Assets:					
Buildings and structures	5,453,609		**4,469,286**		
Machinery, equipment and vehicles	5,031,339		**3,661,281**		
Land	15,123,935		**11,722,008**		
Construction in progress	7,669		**151,248**		
Other tangible fixed assets	185,921		**153,597**		
Total Tangible Fixed Assets:	25,802,475	78.9%	**20,157,422**	**77.6%**	(5,645,053)
Intangible Fixed Assets:					
Total Intangible Fixed Assets:	70,498	0.2%	**61,751**	**0.2%**	(8,747)
Investments and Other Assets:					
Investments in securities	1,194,405		**406,840**		
Deposits and guaranty	1,226,057		**1,217,052**		
Deferred tax assets	1,733		**1,026**		
Other	686,468		**528,592**		
Allowance for bad loans	(402,130)		**(400,160)**		
Total Investments and Other Assets:	2,706,534	8.3%	**1,753,352**	**6.8%**	(953,181)
Total Fixed Assets:	28,579,508	87.4%	**21,972,526**	**84.6%**	(6,606,982)
Total Assets:	32,705,183	100.0%	**25,957,988**	**100.0%**	(6,747,195)

(Thousands of Yen)

Liabilities and Net Assets:	As of March 31 FY 2006	% of Total	FY2007	% of Total	Difference
Current Liabilities:					
Notes and accounts payable	716,787		**616,720**		(100,066)
Short-term loans	2,950,000		**5,605,000**		2,655,000
Long-term loans payable in 1 year	1,858,746		**196,004**		(1,662,742)
Corporate bond payable in 1 year	330,000		**—**		(330,000)
Amounts in arrears	1,547,365		**1,368,794**		(178,571)
Accrued expenses	781,495		**754,862**		(26,633)
Accrued income taxes	151,413		**122,144**		(29,268)
Consumption tax payable	8,561		**220,416**		211,855
Accrued bonuses	8,639		**113,119**		104,480
Allowance for resource-recycling expenses	781,035		**310,477**		(470,557)
Other current liabilities	276,897		**104,193**		(172,703)
Total Current Liabilities:	9,410,940	28.8%	**9,411,731**	**36.2%**	790
Non-Current Liabilities:					
Corporate Bond	425,000		**-**		(425,000)
Long-term debt	2,233,972		**34,816**		(2,199,156)
Long-term debt from a director	975,000		**-**		(975,000)
Deferred tax liabilities	106,058		**19,484**		(86,573)
Monetary deposits	14,479		**46,216**		31,737
Retirement benefit	1,379,356		**1,042,023**		(337,333)
Reserve for directors' retirement allowances	-		**239,700**		239,700
Other non-current liabilities	619,919		**300,959**		(318,959)
Total Non-Current Liabilities:	5,753,786	17.6%	**1,683,200**	**6.5%**	(4,070,585)
Total Liabilities:	15,164,726	46.4%	**11,094,931**	**42.7%**	(4,069,795)
Owners' Equity:					
Paid-in capital	14,041,834		**14,041,834**		-
Capital surplus	6,291,287		**4,425,946**		(1,865,340)
Earned surplus	(1,363,195)		**(2,045,384)**		(682,188)
Treasury stock	(1,610,569)		**(1,610,673)**		(103)
Total Owners' Equity:	17,359,356	53.1%	**14,811,722**	**57.1%**	(2,547,633)
Valuation and Translation Adjustments:					
Valuation difference on available-for-sale securities	159,576		**29,214**		(130,361)
Total Valuation and Translation Adjustments:	159,576	0.5%	**29,214**	**0.1%**	(130,361)
Minority Interests:					
Minority interests	21,524	0.0%	**22,119**	**0.1%**	594
Total Net Assets:	17,540,456	53.6%	**14,863,056**	**57.3%**	(2,677,400)
Total Liabilities and Net Assets:	32,705,183	100.0%	**25,957,988**	**100.0%**	(6,747,195)

2. Consolidated Statement of Income

(Thousands of Yen)

	Fiscal Year between April 1 and March 31				
	FY2006	% of Total	**FY2007**	**% of Total**	Difference
Net sales	28,908,487	100.0%	**26,510,673**	**100.0%**	(2,397,813)
Cost of sales	16,229,396	56.1%	**14,800,806**	**55.8%**	(1,428,589)
Gross profit	12,679,090	43.9%	**11,709,866**	**44.2%**	(969,223)
Selling, general and administrative expenses	14,247,445	49.3%	**11,113,819**	**42.0%**	(3,133,626)
Operating income (loss)	(1,568,355)	(5.4%)	**596,047**	**2.2%**	2,164,402
Non-operating income:					
Interest income	8,390		**7,982**		
Dividend income	29,801		**22,737**		
Insurance commission income	15,158		**5,447**		
Rent revenue	26,583		**33,553**		
Other non-operating income	35,097		**53,190**		
Total non-operating income	115,031	0.4%	**122,910**	**0.5%**	7,878
Non-operating expenses					
Interest expenses	191,877		**176,513**		
Rental expenses	2,277		**3,653**		
Other non-operating expenses	11,857		**43,421**		
Total non-operating expenses	206,012	0.7%	**223,588**	**0.8%**	17,575
Recurring profit (loss)	(1,659,336)	(5.7%)	**495,369**	**1.9%**	2,154,705
Extraordinary income:					
Gain on sale of property, plant and equipment	3		**-**		
Insurance money received	206,333		**22,368**		
Gain on sale of investment securities	3,390		**4,284**		
Transfer from reserve for possible loan losses	-		**372**		
Transfer from reserve for bonuses	188,165		**-**		
Gain on insurance cancellation	22,969		**-**		
Total extraordinary income	420,862	1.4%	**27,024**	**0.1%**	(393,837)
Extraordinary losses:					
Loss on sale of property, plant and equipment	6,001		**70,676**		
Loss on disposal of property, plant and equipment	86,911		**33,739**		
Loss due to disaster	205,958		**29,247**		
Loss on cancellation of lease contract	9,633		**5,027**		
Loss on valuation of investment securities	7,432		**49,487**		
Loss on valuation of membership rights	5,666		**-**		
Director's retirement allowance	11,603		**-**		
New provision for resource-recycling expenses	96,379		**-**		
Loss on impairment of fixed assets	-		**2,687,358**		
Net provision for reserve for directors' retirement allowances	-		**271,480**		
Reorganization of offices expense	121,671		**15,888**		
Total extraordinary losses	551,257	1.9%	**3,162,906**	**12.0%**	2,611,648
Income(loss) before income taxes and minority interests	(1,789,730)	(6.2%)	**(2,640,512)**	**(10.0%)**	(850,781)
Corporate income, local and enterprise taxes	103,287		**90,307**		
Transfer from accrued income taxes	-		**(25,395)**		
Adjustment on corporate tax, etc	35,805		**(158,815)**		
Minority interests in consolidated subsidiaries	1,747	0.0%	**919**	**0.0%**	(827)
Net income(loss)	(1,930,571)	(6.7%)	**(2,547,529)**	**(9.6%)**	(616,958)

3. Consolidated Statement of Changes in Net Asset

Prior fiscal year (April 1, 2006 to March 31, 2007)

(Thousands of Yen)

	Owners' Equity				
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owners' Equity
Balance at the end of previous period	12,616,253	9,221,410	(3,780,116)	(1,610,111)	16,447,436
Changes of items during the period					
Issuanse of new shares	1,425,581	1,424,418			2,850,000
Directors' bonus			(7,050)		(7,050)
Net income			(1,930,571)		(1,930,571)
Purchase of treasury stock				(458)	(458)
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	(2,930,123)	2,416,920	(458)	911,919
Balance at the end of current period	14,041,834	6,291,287	(1,363,195)	(1,610,569)	17,359,356

	Valuation and Translation Adjustments		Minority Interests	Net Assets Total
	Valuation Difference on Availble-for-sale Securities	Total		
Balance at the end of previous period	210,174	210,174	23,417	16,681,028
Changes of items during the period				
Issuanse of new shares				2,850,000
Directors' bonus				(7,050)
Net income				(1,930,571)
Purchase of treasury stock				(458)
Reversal of profit from capital surplus				-
Net changes of items other than owners' equity	(50,598)	(50,598)	(1,892)	(52,491)
Total changes of items during the period	(50,598)	(50,598)	(1,892)	859,428
Balance at the end of current period	159,576	159,576	21,524	17,540,456

Current fiscal year (April 1, 2007 to March 31, 2008)

(Thousands of Yen)

	Owners' Equity				
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owners' Equity
Balance at the end of previous period	14,041,834	6,291,287	(1,363,195)	(1,610,569)	17,359,356
Changes of items during the period					
Net income			(2,547,529)		(2,547,529)
Purchase of treasury stock				(103)	(103)
Reversal of profit from capital surplus		(1,865,340)	1,865,340		-
Net changes of items other than owners' equity					-
Total changes of items during the period	-	(1,865,340)	(682,188)	(103)	(2,547,633)
Balance at the end of current period	14,041,834	4,425,946	(2,045,384)	(1,610,673)	14,811,722

	Valuation and Translation Adjustments		Minority Interests	Net Assets Total
	Valuation Difference on Availble-for-sale Securities	Total		
Balance at the end of previous period	159,576	159,576	21,524	17,540,456
Changes of items during the period				
Net income				(2,547,529)
Purchase of treasury stock				(103)
Reversal of profit from capital surplus				-
Net changes of items other than owners' equity	(130,361)	(130,361)	594	(129,766)
Total changes of items during the period	(130,361)	(130,361)	594	(2,677,400)
Balance at the end of current period	29,214	29,214	22,119	14,863,056

4. Consolidated Cash Flow Statement

(Thousands of Yen)

	Full Year		
	Between April 1and March 31		
	FY2006	**FY2007**	Difference
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	(1,789,730)	**(2,640,512)**	
Depreciation and amortization	1,388,412	**1,153,315**	
Loss on impairment of fixed assets	-	**2,687,358**	
Loss due to disaster	205,958	**29,247**	
Insurance commission income	(206,333)	**(22,368)**	
Allowance for retirement benefits	(297,746)	**(337,333)**	
Allowance for directors' retirement benefits	-	**239,700**	
Allowance for bonuses	-	**104,480**	
Allowance for resource-recycling expenses	(123,878)	**(470,557)**	
Allowance for doubtful accounts	15,720	**24,486**	
Interest and dividend income	(38,192)	**(30,719)**	
Interest expense	191,877	**176,513**	
Commission expense paid	11,692	**21,560**	
Gain on sales of short-term investments in securities	(3,390)	**(4,284)**	
Loss on valuation of short-term investments in securities	7,342	**49,487**	
Loss on valuation of membership rights	5,666	**-**	
Insurance commission income	(22,969)	**-**	
Gain on sales of property, plant and equipment	(3)	**-**	
Loss on sales of proprety, plant and equipment	6,001	**70,676**	
Loss on disposal of property, plant and equipment	86,911	**33,739**	
Reorganization of offices expense	121,671	**15,888**	
Increase/decrease in notes and accounts receivable-trade	311,759	**369,349**	
Increase/decrease in inventories	193,199	**97,719**	
Increase/decrease in other current assets	23,199	**184,089**	
Increase/decrease in notes and accounts payable-trade	49,025	**(65,996)**	
Increase/decrease in consumption taxes payable	3,289	**211,855**	
Increase/decrease in other current liabilities	(681,883)	**(386,762)**	
Payment of bonuses to directors and auditors	(7,050)	**(3,375)**	
Minority shareholders' payment of bonuses to directors and auditors	(3,250)	**(1,625)**	
Other	(44,078)	**(370)**	
Net	(596,688)	**1,505,563**	2,102,251
Interest and dividend income received	39,702	**31,847**	
Interest expense paid	(197,149)	**(208,929)**	
Payment for damage repairing	(155,094)	**(199,417)**	
Proceeds from damage insurance	41,635	**187,065**	
Income taxes paid	(149,075)	**(174,535)**	
Income taxes refunded	10,456	**14,853**	
Net cash provided by operating activities:	(1,006,214)	**1,156,446**	2,162,660

(Thousands of Yen)

	Full Year		
	Between April 1 and March 31		
	FY2006	**FY2007**	Difference
Cash Flows from Investing Activities:			
Decrease in limited withdrawal deposit	2,000,000	**100,000**	
Proceeds from sales of securities	23,579	**25,072**	
Proceeds from refunds of securities	5,448	**500,000**	
Proceeds from sales of property, plant and equipment	280	**2,031,596**	
Payment for purchases of property, plant and equipment	(869,014)	**(201,571)**	
Increase/decrease in lease and guarantee deposits	242,290	**(28,621)**	
Increase/decrease in lease deposits received	-	**31,737**	
Proceeds from insurance cancellation	180,345	**-**	
Other	476	**799**	
Net cash provided by investing activities:	1,583,406	**2,459,012**	875,605
Cash Flows from Financing Activities:			
Increase/decrease in short-term loans	(450,000)	**2,655,000**	
Increase/decrease in long-term debt from a director	975,000	**(975,000)**	
Proceeds from long-term loans from banks	1,200,000	**30,000**	
Repayment of long-term loans from banks	(3,192,078)	**(3,891,898)**	
Payment for redemption of corporate bond	(330,000)	**(755,000)**	
Increase/decrease in treasury stock	(458)	**(103)**	
Dividends paid	(1,087)	**(2,884)**	
Other	418,373	**(251,560)**	
Net cash provided by financing activities:	(1,380,250)	**(3,191,446)**	(1,811,196)
Net increase/decrease in cash and cash equivalents	(803,058)	**424,011**	1,227,069
Cash and cash equivalents at beginning of the fiscal term	1,398,895	**595,837**	(803,058)
Cash and cash equivalents at the end of the fiscal term	595,837	**1,019,848**	424,011

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

Prior fiscal year (April 1, 2006 to March 31, 2007)

The SANIX Group has posted operating loss, recurring loss and negative operating cash flow in four out of five fiscal years since the year ended March 31, 2003 (excluding the year ended March 31, 2005), and net loss for five consecutive fiscal years.

Moreover, during 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 8, 2006. Due to the impact of these punishments, sales of the HS Division decreased significantly. As a result, the SANIX Group posted again operating loss of 1,568 million yen, net loss of 1,930 million yen and negative operating cash flow of 1,006 million yen.
These circumstances may raise a serious doubt regarding the assumption of a going concern.

To overcome these adverse conditions, the SANIX Group resolved on the Business Streamlining Plan at a board meeting on August 9, 2006, based on which it has strived for recovery of the operational performance through various efforts including closing and consolidation of certain sales offices, reduction of labor cost and other cost reduction efforts.

The plan has progressed satisfactorily. 53 sales offices are closed and consolidated mainly in the HS Division and the ES Division. Approximately 1,000 employees were reduced compared with the time before the implementation of the streamlining plan, saving approximately 2,300 million yen. In other costs, approximately 300 million yen was saved mainly in the area of communication, travel expenses and leases.

Because the positive effect of these measures taken during the current year will continue throughout the next year, costs will be further reduced. Moreover, since it is planned to discontinue advertising on helmets and reexamine expenditures of mecenat and other expenses, costs will be further saved approximately 400 million yen, which will lead to improvement in the operational results in next year.

In addition to the sales office closing and consolidation, personnel reduction and other measures to improve the efficiency of operations, the SANIX Group will endeavor to establish a compliance system. 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.

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.

Current fiscal year (April 1, 2007 to March 31, 2008)

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

6. Significant Accounting Policies Relating to Financial Statements

Matters Pertaining to Consolidation

Number of consolidated subsidiaries: 6 companies

Names of consolidated subsidiaries: SUNAIM INCORPORATED / Energy Development Institute Co., Ltd. / Sanix Energy Incorporated / Sanix Software Design Incorporated / EDI Incorporated / Sanix Solution Incorporated

There is only one non-consolidated subsidiary, Qingdao Shan Yang Tai Chemical Resource Exploiture Co., Ltd. The Company excluded it from the consolidation because its business size is small, and none of the total assets, sales, net income (the portion corresponding to the shareholding by the Company) and retained earnings (the portion corresponding to the shareholding by the Company) of this subsidiary has any significant effect on the consolidated financial statements of the Company.

Matters Concerning the Application of Equity method Accounting

Qingdao Shan Yang Tai Chemical Resource Exploiture Co., Ltd. is the only non-consolidated subsidiary not reported by the equity method. This subsidiary was not reported by the equity method because its business size is small, and its total assets, sales, net income (the portion corresponding to the shareholding by the Company) and retained earnings of this subsidiary have minor effect and little significance on the consolidated financial statements of the Company.

Matters Pertaining to the Settlement Dates of Consolidated Subsidiaries

The settlement dates of consolidated subsidiaries are the same as those of the parent company.

Accounting Treatment Standards

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

1) Short-term investments in securities:

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 net asets, 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:

Finished products, products in progress and materials: 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

(Change in Accounting Method)

In accordance with the provisions of the revised Corporation Tax Law, the tangible fixed assets depreciation method has been changed. Starting from April 1, 2007, tangible fixed assets acquired during and after April 2007 are depreciated fully to their memorandum values (¥1). This change has only minor impact on the consolidated profits of the SANIX Group.

Regarding tangible fixed assets acquired on and before March 31, 2007, the differences between residual values and memorandum values are depreciated in accordance with the revised Corporation Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches the “residual value” (as defined in the Corporation Tax Law before the revision) in a certain fiscal year, the difference between the residual value and the memorandum value of such asset is depreciated in equal amounts over five years from the following fiscal year.

Accordingly, compared with the figures computed using the former accounting method, consolidated gross profit for the fiscal 2007 decreased by 634 thousand yen, operating profit and recurring profit for the fiscal 2007 decreased by 6,815 thousand yen and 6,815 thousand yen, respectively, and net loss before tax adjustments increased by 6,815 thousand yen.

2) Intangible fixed assets: Straight-line method

However, software for internal use is depreciated by the straight-line method based on the assumed useful life for internal use (5 years).

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) Provision for accrued bonuses: Provision for accrued bonuses to employees is made by appropriating an amount based on estimated total bonuses that will be paid during the year.

3) Allowance for resource-recycling expenses: The Company recognized transportation costs and storage costs expected to incur for the recycled waste plastic fuel stored by the end of this current fiscal year.

4) 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 current consolidated accounting period, 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.

5) Reserve for directors’ retirement allowances: To provide for payment of retirement allowances to directors, the amount of bonuses accrued at the end of the period is provided in accordance with the Regulations for Directors' Retirement Allowances.

(Change in Accounting Method)

Traditionally, retirement allowances to directors of the Company and major consolidated subsidiaries were recorded as expenses when they were paid. Starting from the fiscal 2007, the Group adopted the accounting method stipulated in the “Treatment in Auditing of Reserves Under the Special Taxation Measures Law, and Reserves Under Special Laws and Reserve for Officer's Retirement Allowances” (issued by the Japanese Institute of Certified Public Accountants, dated April 13, 2007, Auditing/Guarantee Practice Committee Report No. 42). Accordingly, compared with the figures computed using the former accounting method, consolidated operating profit and recurring profit for the fiscal 2007 decreased by 22,730 thousand yen and 22,730 thousand yen, respectively, and net loss before tax adjustments increased by 239,700 thousand yen.

(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 following conditions, in accordance with its risk management policy:

i. The notional principal amount of the interest rate swap contract is the same as that of the principal amount of the relevant long-term borrowing;

ii. The term and maturity of the interest rate swap contract are the same as those of the relevant long-term borrowing;

iii. The index of the floating rate of the interest rate swap contract is the same as that of the relevant long-term borrowing;

iv. The terms for revision of interest rate of the interest rate swap contract are the same as those stipulated in the relevant long-term borrowing; and

v. The receipt-and-payment conditions of the interest rate swap contract are fixed throughout the swap period.

Assessment of validity of interest rate swap contracts concluded and maintained by the Company as of the account settlement date is omitted as they satisfy all of the above-mentioned requirements, and are thus qualified to be accounted for by the special treatment method.

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

Accounting treatment of consumption tax: Excluding tax method

Valuation Method of Assets and Liabilities of Consolidated Subsidiaries

Market value method

Information Related to Handling of Appropriation of Surplus and Other Related Items

The consolidated statement of retained earnings is prepared based on the final decision on the appropriation of the retained earnings of consolidated companies for the year.

Cash and Cash Equivalents on Consolidated Statements of Cash Flows

Cash and cash equivalents on the consolidated statements of cash flows include cash on hand, savings which can be withdrawn as required, and short-term investments which are easily converted into cash, having low risk of changing value, and which will be redeemed within 3 months from the acquisition date.

7. Changes in Significant Accounting Policies Relating to Financial Statements

Prior fiscal year (April 1, 2006 to March 31, 2007)

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

During this fiscal year, "Accounting Standard for Directors' Bonus" (the Accounting Standards Board of Japan Statement No.4, November 29, 2005) is adopted.

In accordance with this change, operating income, recurring profit, income before income taxes and minority interests, and net income decreased by 5,000 thousand yen.

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

During this fiscal year, "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 SANIX Group.

Equity section of balance sheet, which is calculated in a conventional way reaches 17,518,932 thousand yen.

Following the revision of the Rules for Consolidated Financial Statements, the consolidated financial statements of the SANIX Group for the year ended March 31, 2007 were prepared in accordance with those revised rules.

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

During this fiscal year, 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 SANIX Group.

Following the revision of the Rules for Consolidated Financial Statements, the consolidated financial statements of the SANIX Group for the year ended March 31, 2007 were prepared in accordance with those revised rules.

Current fiscal year (April 1, 2007 to March 31, 2008)

(Elimination of "events or situations that arouse serious doubts regarding the assumption of a going concern")

In the year ended March 2003, the SANIX Group formed the Environmental Resources Development Division. Since the start-up cost of this Division was so huge, during the first few years the profits generated by the HS Division, the core business division of the SANIX Group, could not fully cover the losses recorded by the ERD Division. Since then, operation of the ERD Division has stabilized, and its operating loss has decreased. However, the Group faced another challenge in July 2006. The HS Division was hit by administrative penalties by the Ministry of Economy, Trade and Industry for improper operations, including suspension of operation at six sales offices for three months from July 8, 2006. Due to the adverse impact of this situation, the Group reported operating loss, recurring loss and net operating cash outflow in each of the most recent four fiscal years, excluding the year ended March 31, 2005, and net loss for five consecutive fiscal years.

This situation raised serious doubts regarding the assumption of a going concern in the previous fiscal year.

To eliminate this situation, the SANIX Group developed the "Business Streamlining Plan" in August 2006, under which closing and consolidation of sales offices and reduction of labor and other costs were promoted. These streamlining efforts contributed to improvement of the full-year operating results in the current year.

Moreover, in the area of marketing, reinforcement of the compliance system was diligently implemented, while efforts for improving marketing efficiency were also exerted. As a result of these actions, operating results recovered strongly, including increased sales in the HS Division, the Group's core business, compared with the previous year.

Consequently, the SANIX Group achieved an operating profit of 596 million yen, recurring profit of 495 million yen, and net operating cash inflow of 1,156 million yen in fiscal 2007, supported by strong performance from the HS Division, which generated a high operating profit margin. We believe that the Group succeeded in reforming its operations into profit centers. However, because an impairment loss of 2,687 million yen was recorded as extraordinary loss, the Group reported a net loss of 2,547 million yen in fiscal 2007.

Moreover, to eliminate concerns for the Tomakomai Power Plant of the ERD Division, where a fire occurred in February 2007, new fire prevention facilities were installed and the safety management system was strengthened. In addition, in January 2008, an outside professional power plant consultant was hired to seek ongoing consultation on safety and operation of the Tomakomai Power Plant. Enhanced with these systems to prevent plant troubles, the power plant completed regular maintenance and resumed operation substantially in August 2007. Since then, the power plant has maintained consistent operation except for a voluntary suspension period for check-up.

On April 22, 2008, the SANIX Group announced a Med-Term Business Plan for three years from the year ending March 31, 2009 to the year ending March 31, 2011. In accordance with this plan, the Group will conduct an objective analysis of past managerial problems, develop achievable business targets, and strive for business management in strict compliance with laws and regulations.

By implementing the above-mentioned actions, "events or situations that arouse serious doubts regarding the assumption of an ongoing concern" were eliminated in the SANIX Group.

8. Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheet

1. Hypothecated assets and secured liabilities

Assets provided as collateral (Factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings and structures	414,495	**-**
Machinery, equipment and vehicles	464,953	**-**
Land	1,311,067	**-**
Other tangible fixed assets	4,128	**-**
Total	2,194,645	**-**

Assets provided as collateral (Other than factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings and structures	3,138,489	**2,899,049**
Land	12,464,568	**10,869,296**
Investment securities	566,321	**279,276**
Time deposit	100,000	**-**
Total	16,269,379	**14,047,622**

Secured liabilities (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Short-term loans	1,800,000	**5,605,000**
Lomg-term loans payable in 1 year	1,834,400	**170,000**
Long-term loans	1,240,100	**-**
Total	4,874,500	**5,775,000**

Notes to Consolidated Statement of Income

1. Research and development costs included in the administrative costs or the manufacture costs for the current year (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Administrative costs.	183,921	**113,701**
Manufacture costs for the current year.	798	**756**
Total	184,719	**114,457**

2. Breakdown of Gain on sale of property, plant, and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Machinery, equipment and vehicles.	3	**-**
Total gain on sale of property, plant and equipment.	3	**-**

3. Breakdown of Loss on sale of property, plant and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings and structures.	-	**2,457**
Machinery, equipment and vehicles.	-	**64,210**
Land.	-	**4,008**
Intangible fixed assets.	6,001	**-**
Total loss on sale of property, plant and equipment.	6,001	**70,676**

4. Breakdown of Loss on disposal of property, plant and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings and structures.	83,109	**24,437**
Machinery, equipment and vehicles.	626	**477**
Other tangible fixed assets.	3,176	**8,824**
Total loss on disposal of property, plant and equipment.	86,911	**33,739**

5. Loss due to disaster

(Prior consolidated accounting period ended March 31, 2007)

Losses due to disaster are those related to fires that occurred in the Ota Plant and the Tomakomai Power Plant. Since these losses will be fully covered by the non-life insurance maintained by the Company, the estimate amounts of insurance claims to be received are included in the extraordinary income for the current accounting period.

(Current consolidated accounting period ended March 31, 2008)

Losses due to disaster are those related to fires that occurred in the Kitakyushu Plant and the Ota Plant.

6. Loss on impairment of fixed assets

(Current consolidated accounting period ended March 31, 2008)

The SANIX Group recorded impairment loss related to the following asset groups.

(Asset Grouping)

In the HS and ES Divisions, a region is considered the minimum unit generating cash flow. In the ERD Division, the power generating business and waste plastic intermediate processing business supplying plastic fuel for power generation were considered as a single asset group. Other plants were grouped considering the similarity of their market, such as the type of waste handled. However, in accordance with the resolution adopted at the board meeting on September 18, 2007, the Kitakyushu Industrial Waste Incineration Plant, the Kitakyushu Waste Plastic Intermediate Processing Plant and the business of the Kyushu Branch were assigned to Asahipretec Corporation as of November 6, 2007. As a result of these assignments, these assigned assets were classified into a separate group. Each real property for leasing or idle real property is grouped into one group separately.

(Background for recognizing impairment loss)

Idle land was originally purchased as a site for the “Hikoshima Recycle Garden (provisional name)” project. Because the project was suspended, the land has been re-categorized as idle property. Because the price of this land has fallen, an impairment loss was recognized. The book value of the idle property was reduced to a recoverable value, and the reduced amount was recorded as an impairment loss (41,471 thousand yen) under extraordinary loss. In connection with the above-mentioned assignment of the asset group relating to the Kitakyushu Industrial Waste Incineration Plant, the Kitakyushu Waste Plastic Intermediate Processing Plant and Kyushu Branch, the estimated loss from assignment was recorded as an impairment loss (221,539 thousand yen) under extraordinary loss. Future expected cash flow was reviewed stringently for an asset group in the ERD Division comprising the SANIX Energy Tomakomai Power Plant and the plastic recycling plants that supply fuel plastics to the Tomakomai Power Plant. As a result of this review, it was expected that future cash flow will become less than the book value of the fixed assets in this asset group because the value of land owned by these plants fell significantly. Accordingly, an impairment loss was recorded. The book value of the asset group comprising the Tomakomai Power Plant and these plastic recycling plants was reduced to a recoverable value, and the reduced amount was recorded as an impairment loss (2,370,000 thousand yen) under extraordinary loss. A breakdown of impairment loss is as follows;

Buildings and structures	38,847 thousand yen
Machinery, equipment and vehicles	246,072 thousand yen
Land	2,039,663 thousand yen

Long-term prepaid expenses	45,417 thousand yen

(Calculation of recoverable values)

The recoverable value of the idle property was based on the net sale value determined by appraisal of the property in accordance of real estate appraisal standards.

The recoverable value of the assigned asset group was determined by deducting necessary expenses from the assignment price.

The recoverable value of the asset group comprising the Tomakomai Power Plant and plastic recycling plants in the ERD Division was determined based on their use value, by discounting the future cash flow by 5%.

Notes to Consolidated Statement of Changes in Net Assets

Prior fiscal year (April 1, 2006 to March 31, 2007)

1. Issues related to shares issued

	31-Mar-06	Increase	Decrease	31-Mar-07
Number of shares issued (Shares)	41,224,736	7,694,660	-	48,919,396

(Reasons for changes)

The number of shares increased due to a following reason.

Conversion of unsecured convertible bonds with stock acquisition rights: 7,694,660 shares

2. Numbers of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	31-Mar-07
Number of shares of treasury stock (Shares)	1,207,223	1,440	-	1,208,663

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 1,440 shares

3. Numbers of Shares of Stock option

No applicable matter.

4. Regarding dividends

No applicable matter.

Current fiscal year (April 1, 2007 to March 31, 2008)

1. Issues related to shares issued

	31-Mar-07	Increase	Decrease	31-Mar-08
Number of shares issued (Shares)	48,919,396	-	-	**48,919,396**

2. Numbers of Shares of Treasury Stock

	31-Mar-07	Increase	Decrease	31-Mar-08
Number of shares of treasury stock (Shares)	1,208,663	380	-	**1,209,043**

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 380 shares

3. Numbers of Shares of Stock Option

No applicable matter.

4. Regarding Dividends

No applicable matter.

Notes to Consolidated Statement of Cash Flows

1. Relationship between balance of cash and cash equivalents at the end of period and value of items stated on the consolidated balance sheets.

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Cash and bank deposits.	595,837	**1,019,848**
Cash and cash equivalents	595,837	**1,019,848**

2. Contents of important non-fund transactions

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Increase in paid-in capital as a result of exercise of warrants.	1,425,581	-
Increase in capital surplus as a result of exercise of warrants.	1,424,418	-
Decrease in bonds with warrant as a result of exercise of warrants.	2,850,000	-

Segment Information

1. Segment Information by type of business

Prior consolidated fiscal year accounting period (From April 1, 2006 to March 31, 2007)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
1. Sales, operating income or loss*						
Sales:						
(1)Sales to customers	15,205,222	4,090,941	9,612,323	28,908,487	-	28,908,487
(2)Internal sales among segments and transfer accounts	-	-	1,207	1,207	(1,207)	-
Total	15,205,222	4,090,941	9,613,530	28,909,694	(1,207)	28,908,487
Operating expenses	13,213,072	4,301,626	10,527,404	28,042,104	2,434,738	30,476,842
Operating income(loss)	1,992,149	(210,685)	(913,874)	867,589	(2,435,945)	(1,568,355)
2. Assets, depreciation expenses and capital expenditures						
Assets	3,702,830	1,474,799	20,192,716	25,370,346	7,334,836	32,705,183
Depreciation expenses	69,932	12,489	1,206,753	1,289,176	99,236	1,388,412
Capital expenditures	7,459	-	209,179	216,638	3,303	219,942

Notes

1. Business divisions are those used for internal administrative purposes.
2. Principal services and products by business division

   *HS(Home Sanitation Division). . . Sales of home reinforcement systems, termite eradication service, under-floor and under-roof ventilation systems

   *ES(Establishment Sanitation Division). . . Fitting of water supply system for office and apartment buildings, maintenance services

   *ERD(Environmental Resources Development Division). . .Waste plastic processing, incineration, organic liquid waste water processing, and power generation

3. Unabsorbed operating expenses listed under elimination or group is the administration cost of the general affairs department of the parent company.

   Unabsorbed operating expenses listed under elimination or group: ¥2,435,945 thousand

4. Total group assets included in elimination or group is surplus funds available for investment (cash) and short-term investments, long-term investment funds (investment in securities), and assets of administrative divisions of the head office of SANIX Incorporated.

   Total group assets included in elimination or group: ¥7,334,836 thousand

5. Long-term prepaid expenses and depreciation expenses for Long-term prepaid expenses are included in depreciation expenses and capital expenditures.
6. During this fiscal year, "Accounting Standard for Directors' Bonus" (the Accounting Standards Board of Japan Statement No.4, November 29, 2005) is adopted. In accordance with this change, operating expenses in the ERD division increased by 5 million yen, and operating income in the ERD division decreased by 5 million yen.

Current consolidated fiscal year accounting period (From April 1, 2007 to March 31, 2008)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
1. Sales, operating income or loss*						
Sales:						
(1)Sales to customers	15,691,207	3,340,925	7,478,540	26,510,673	-	26,510,673
(2)Internal sales among segments and transfer accounts.	-	-	412	412	(412)	-
Total	15,691,207	3,340,925	7,478,953	26,511,085	(412)	26,510,673
Operating expenses	11,515,091	3,542,709	8,748,154	23,805,955	2,108,670	25,914,626
Operating income(loss)	4,176,115	(201,783)	(1,269,201)	2,705,130	(2,109,083)	596,047
2. Assets, depreciation expenses and capital expenditures						
Assets	3,630,383	1,177,524	14,459,414	19,267,321	6,690,667	25,957,988
Depreciation expenses	68,569	9,589	1,000,097	1,078,256	75,058	1,153,315
Impairment loss	-	25,962	2,591,539	2,617,501	69,857	2,687,358
Capital expenditures.	21,691	-	154,506	176,198	16,156	192,354

Notes

1. Business divisions are those used for internal administrative purposes.

2. Principal services and products by business division

   *HS(Home Sanitation Division). . . Sales of termite eradication service, under-floor and under-roof ventilation systems, home reinforcement systems, foundation repairing treatment

   *ES(Establishment Sanitation Division). . . Fitting of water supply system for office and apartment buildings, maintenance services

   *ERD(Environmental Resources Development Division). . .Waste plastic processing, incineration, organic liquid waste water processing, and power generation

3. Unabsorbed operating expenses listed under elimination or group is the administration cost of the general affairs department of the parent company.

   Unabsorbed operating expenses listed under elimination or group: ¥2,109,083 thousand

4. Total group assets included in elimination or group is surplus funds available for investment (cash) and short-term investments, long-term investment funds (investment in securities), and assets of administrative divisions of the head office of SANIX Incorporated.

   Total group assets included in elimination or group: ¥6,690,667 thousand

5. Long-term prepaid expenses and depreciation expenses for Long-term prepaid expenses are included in depreciation expenses and capital expenditures.

6. During this fiscal year, the accounting method stipulated in the “Treatment in Auditing of Reserves Under the Special Taxation Measures Law, and Reserves Under Special Laws and Reserve for Officer's Retirement Allowances” (issued by the Japanese Institute of Certified Public Accountants, dated April 13, 2007, Auditing/Guarantee Practice Committee Report No. 42) is adopted. Accordingly, compared with the figures computed using the former accounting method, consolidated operating expenses listed under elimination or group increased by 22,730 thousand yen, and operating income increased by 22,730 thousand yen.

7. During this fiscal year, regarding tangible fixed assets acquired on and before March 31, 2007, the differences between residual values and memorandum values are depreciated in accordance with the revised Corporation Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches the “residual value” (as defined in the Corporation Tax Law before the revision) in a certain fiscal year, the difference between the residual value and the memorandum value of such

asset is depreciated in equal amounts over five years from the following fiscal year.

Accordingly, compared with the figures computed using the former accounting method, consolidated operating expenses listed under HS division increased by 784 thousand yen, ES division increased by 371 thousand yen, ERD division increased by 452 thousand yen, and elimination or group increased by 5,206 thousand yen. And consolidated operating income listed under each division decreased by the same amount.

2. Segment information by location

Previous fiscal year (April 1, 2006 to March 31, 2007)

The Company does not report segment information by location because the Company does not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan.

Current fiscal year (April 1, 2007 to March 31, 2008)

The Company does not report segment information by location because the Company does not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan.

3. Foreign sales

Previous fiscal year (April 1, 2006 to March 31, 2007)

None

Current fiscal year (April 1, 2007 to March 31, 2008)

None

Notes to Lease Transactions

①Relationship between balance of cash and cash equivalents at the end of period and value of items stated on the consolidated balance sheet

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
	Machinery and Vehicle	
Book Value	729,228	**569,571**
Cumulative depreciation	485,771	**329,226**
Value at end of half year	243,457	**240,345**
	Others (Tool Function)	
Book Value	470,558	**387,533**
Cumulative depreciation	254,931	**232,134**
Value at end of half year	215,626	**155,399**
	Total	
Book Value	1,199,787	**957,105**
Cumulative depreciation	740,703	**561,360**
Value at end of half year	459,084	**395,745**
②Outstanding balance of future lease payments at the end of the period:		
Within one year	191,570	**180,312**
Over one year	290,798	**232,223**
Total	482,369	**412,536**
③Amount of lease fee payments, depreciation expense and interest expense:		
Lease fee payments	311,132	**245,108**
Depreciation expense	278,787	**223,721**
Interest expense	16,532	**14,504**

④Accounting method for the amount equivalent to depreciation expenses:

Accounting method for the amount equivalent to depreciation expenses and interest expenses:

Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the straight-line method.

Accounting method for the amount equivalent to interest expenses:

Interest expense for lease assets is calculated as the difference between the total lease payments andthe acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

⑤Operating lease transactions:

Outstanding balance of future lease payments

	FY2006	**FY2007**
Within one year	96,752	**113,763**
Over one year	128,783	**58,046**
Total	225,536	**171,809**

Notes to Tax Effect Accounting

1.Breakdown of major reasons for deferred tax assets and deferred tax liabilities:

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
(Deferred tax assets)		
Business tax payable	15,053	**17,243**
Depreciation expenses exceeding the deductible limit	3,264,291	**3,864,268**
Allowance for doubtful accounts exceeding the deductible limit	85,157	**152,995**
Provision of reserve for retirement benefits exceeding the deductible limit	551,331	**416,329**
Non-deductible provision of reserve for deirectors' retirement benefits exceeding the deductible limit	-	**95,972**
Provision for accrued bonuses exceeding the deductible limit	311	**45,130**
Membership valuation loss	39,190	**39,190**
Loss on valuation of short-term investments in securities	17,722	**2,972**
Loss carried forward	4,425,761	**4,952,674**
Non-deductible allowance for resource-recycling expenses	312,414	**124,191**
Others	690,077	**725,218**
Deferred tax assets subtotal	9,401,309	**10,436,187**
Valuation reserve	(9,399,098)	**(10,275,160)**
Total deferred tax assets	2,211	**161,026**
(Deferred tax liabilities)		
Difference between market price and acquisition cost of other securities	106,412	**19,484**
Total deferred tax liabilities	106,412	**19,484**
Net deferred tax assets	104,200	**141,541**

2. Breakdown of major elements that caused the difference between the statutory effective tax rate and the corporate tax burden after the tax effect accounting:

Previous fiscal year (April 1, 2006 to March 31, 2007)

This information is omitted because net consolidated loss before taxes and other adjustments was recorded for the previous year.

Current fiscal year (April 1, 2007 to March 31, 2008)

This information is omitted because net consolidated loss before taxes and other adjustments is recorded for the current year.

Notes to Short-Term Investments

Previous fiscal year (April 1, 2006 to March 31, 2007)

(1) Other marketable securities with market value: (Thousands of Yen)

Shares acquisition cost is over the value stated on consolidated balance sheet:

	Full Year As of March 31, 2007		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	233,641	510,253	276,612
Bonds	—	—	—
Other	—	—	—
Sub-total	233,641	510,253	276,612

Shares acquisition cost is not over the value stated on consolidated balance sheet:

	Full Year As of March 31, 2007		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	68,060	57,436	(10,624)
Bonds	—	—	—
Other	—	—	—
Sub-total	68,060	57,436	(10,624)
Total	301,701	567,689	265,988

(2) Other marketable securities sold during current accounting period (Thousands of Yen)

	Full Year As of March 31, 2007
Total sales of other marketable securities	23,579
Total gain on sales of other marketable securities	3,390
Total loss on sales of other marketable securities	—

(3) Principal marketable securities without market price (Thousands of Yen)

	Full Year As of March 31, 2007
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks (exluding OTC stocks)	626,715

Current fiscal year (April 1, 2007 to March 31, 2008)

(1) Other marketable securities with market value (Thousands of Yen)

Shares acquisition cost is over the value stated on consolidated balance sheet:

	Full Year As of March 31, 2008		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	142,845	221,698	78,853
Bonds	—	—	—
Other	—	—	—
Sub-total	142,845	221,698	78,853

Shares acquisition cost is not over the value stated on consolidated balance sheet:

	Full Year As of March 31, 2008		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	88,579	58,426	(30,153)
Bonds	—	—	—
Other	—	—	—
Sub-total	88,579	58,426	(30,153)
Total	231,425	280,124	48,699

(2) Other marketable securities sold during current accounting period (Thousands of Yen)

	Full Year As of March 31, 2008
Total sales of other marketable securities	25,072
Total gain on sales of other marketable securities	4,284
Total loss on sales of other marketable securities	—

(3) Principal marketable securities without market price (Thousands of Yen)

	Full Year As of March 31, 2008
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks (exluding OTC stocks)	126,715

Derivative Transactions

Previous fiscal year (April 1, 2006 to March 31, 2007)

There were no applicable transactions.

Notes regarding interest swap arrangements are not included in this section because they were accounted for by the special treatment method of hedging accounting.

Current fiscal year (April 1, 2007 to March 31, 2008)

There were no applicable transactions.

Notes regarding interest swap arrangements are not included in this section because they were accounted for by the special treatment method of hedging accounting.

Notes to Retirement Benefit

1. The funded status of the Companies at March 31, 2007 and 2008 are summarized as follows:

	Thousands of Yen	
	FY2006	**FY2007**
Projected benefit obligation	2,391,242	**2,275,087**
Plan assets at fair value	(1,251,708)	**(1,125,794)**
Unrecognized net loss	239,822	**(107,269)**
Retirement allowance	1,379,356	**1,042,023**

2. Severance and pension costs of the Companies included the following components for the years ended March 31, 2007 and 2008 areas follows:

	Thousands of yen	
	FY2006	**FY2007**
Service cost	277,975	**179,289**
Interest cost	42,877	**35,544**
Expected return on plan assets	(19,861)	**(18,775)**
Anortization of actuarial gains/losses	(123,893)	**(239,822)**
Severance and pension cost	177,098	**(43,764)**

3. Assumption used in the calculation for the defined benefits plan for the years ended March 31, 2007 and 2008 are as follows:

	FY2006	**FY2007**
Discount rate	1.5%	**1.5%**
Long-term rate of return on fund assets	1.5%	**1.5%**
Method of attributing benefits to periods of service	Straight-line method	**Straight-line method**
Anortization period for actuarial gains/losses	1 year	**1 year**

The actuarial gains/losses are charged to income in the next year when it is incurred in its entirely.

Significant subsequent event

Previous fiscal year (April 1, 2006 to March 31, 2007)

None

Current fiscal year (April 1, 2007 to March 31, 2008)

None

V. Net Sales by Division

(Thousands of Yen)

	Full Year from April 1 to March 31		Changes
	FY2006	**FY2007**	
Termite Eradication Service	7,083,362	**5,022,942**	(2,060,420)
Under-Roof/Floor Ventilation System	4,352,044	**1,901,806**	(2,450,237)
Home Reinforcement System	886,029	**351,824**	(534,204)
Foundation Repairing Treatment	508,847	**7,035,818**	6,526,970
Other	2,374,938	**1,378,814**	(996,123)
Home Sanitation Division Total:	15,205,222	**15,691,207**	485,984
Anti-rust equipment installation	1,023,934	**795,367**	(228,566)
Repair of building water-works	1,330,647	**1,013,175**	(317,472)
Waterproofing of building	667,485	**578,344**	(89,141)
Other	1,068,873	**954,038**	(114,834)
Establishment Sanitation Division Total:	4,090,941	**3,340,925**	(750,015)
Industrial Waste (Waste plastic processing)	4,720,381	**3,777,765**	(942,616)
Industrial waste (Organic Waste Water Recycle)	1,863,796	**1,889,000**	25,204
Generation of electricity	1,138,746	**769,686**	(369,060)
Industrial waste (Incineration)	1,302,476	**619,102**	(683,373)
Other	586,921	**422,985**	(163,936)
Environmental Resources Development Division Total:	9,612,323	**7,478,540**	(2,133,782)

VI. Non-Consolidated Financial Statements

1.Non-Consolidated Balance Sheet

(Thousands of Yen)

Assets:	FY2006 (As of March 31)	% of Total	FY2007 (As of March 31)	% of Total	Difference
Current Assets:					
Cash and bank deposits	424,471		**868,049**		443,578
Notes receivable	68,165		**40,901**		(27,263)
Accounts receivable	2,080,135		**1,658,173**		(421,962)
Products	15,180		**16,102**		922
Half finished products	109,341		**76,645**		(32,696)
Materials	402,707		**345,629**		(57,077)
Stored goods	148,320		**135,330**		(12,990)
Advances	5,413		**18,124**		12,711
Prepaid expenses	108,582		**159,920**		51,337
Deferred tax assets	-		**160,000**		160,000
Accrued revenue	211,083		**121,521**		(89,562)
Consumption tax receivable	10,379		**-**		(10,379)
Other current assets	183,650		**69,596**		(114,052)
Allowance for doubtful accounts	(57,000)		**(80,000)**		(23,000)
Total Current Assets:	3,710,430	11.5%	**3,589,994**	**14.1%**	(120,436)
Fixed Assets:					
Tangible Fixed Assets:					
Buildings	4,307,166		**3,514,484**		(792,681)
Structures	1,134,217		**941,282**		(192,934)
Machinery and equipment	4,973,074		**3,607,031**		(1,366,042)
Automotive equipment	951		**717**		(234)
Tool and equipment	173,275		**144,232**		(29,042)
Land	13,584,463		**10,224,008**		(3,360,454)
Construction in progress	2,271		**154,136**		151,864
Total Tangible Fixed Assets:	24,175,419	74.9%	**18,585,893**	**73.2%**	(5,589,525)
Intangible Fixed Assets:					
Telephone rights	65,324		**53,360**		(11,963)
Others	4,227		**3,629**		(598)
Total Intangible Fixed Assets:	69,552	0.2%	**56,989**	**0.2%**	(12,562)
Investments and Other Assets:					
Investment in securities	1,193,037		**406,060**		(786,976)
Investment in shares of affiliates	117,500		**73,500**		(44,000)
Investment in capital	2,760		**2,760**		-
Long-term loans to affiliates	1,509,844		**1,525,957**		16,113
Claims to bankrupted, rehabilitated and other troubled debtors	328,605		**328,903**		297
Long-term prepaid expenses	125,268		**69,232**		(56,036)
Deposits and guaranty	1,204,515		**1,149,733**		(54,782)
Membership rights	127,689		**125,389**		(2,300)
Others	100,702		**30,868**		(69,834)
Allowance for bad loans	(403,640)		**(534,339)**		(130,699)
Total Investments and Other Assets:	4,306,283	13.3%	**3,178,065**	**12.5%**	(1,128,217)
Total Fixed Assets:	28,551,254	88.5%	**21,820,949**	**85.9%**	(6,730,305)
Total Assets:	32,261,685	100.0%	**25,410,944**	**100.0%**	(6,850,741)

(Thousands of Yen)

Liabilities and Net Assets:	FY2006	% of Total	FY2007	% of Total	Difference
	As of March 31				
Current Liabilities:					
Notes payable	135,633		**56,241**		(79,391)
Accounts payable	775,992		**514,252**		(261,739)
Short-term loans	2,800,000		**5,605,000**		2,805,000
Long-term loans payable in 1 year	1,834,400		**170,000**		(1,664,400)
Corporated bond payable in 1 year	330,000		**-**		(330,000)
Amounts in arrears	1,727,588		**1,639,882**		(87,705)
Accrued expenses	751,154		**728,432**		(22,722)
Accrued income taxes	148,876		**120,903**		(27,972)
Accrued consumption taxes	-		**217,967**		217,967
Advance received	47,108		**10,480**		(36,628)
Withholding income tax, etc.	102,534		**85,249**		(17,285)
Deferred revenues	2,663		**6,218**		3,554
Accrued bonuses	-		**106,251**		106,251
Allowance for resource-recycling expenses	781,035		**310,477**		(470,557)
Other current liabilities	119,889		**-**		(119,889)
Total Current Liabilities:	9,556,877	29.6%	**9,571,358**	**37.6%**	14,480
Non-Current Liabilities:					
Corporate bond	425,000		**-**		(425,000)
Long-term debt	2,191,300		**-**		(2,191,300)
Long-term debt from a director	975,000		**-**		(975,000)
Deferred tax liabilities	106,058		**19,378**		(86,680)
Long-term amount in arrears	188,000		**100,000**		(88,000)
Monetary deposits	15,405		**47,142**		31,737
Reserve for retirement benefits	1,357,745		**1,018,895**		(338,849)
Reserve for directors' retirement benefits	-		**235,100**		(235,100)
Other non-current liabilities	430,000		**200,000**		(230,000)
Total Non-Current Liabilities:	5,688,508	17.7%	**1,620,515**	**6.4%**	(4,267,992)
Total Liabilities:	15,245,386	47.3%	**11,191,874**	**44.0%**	(4,053,512)
Owners' Equity:					
Paid-in capital	14,041,834		**14,041,834**		-
Capital surplus					
Capital legal reserve	4,639,973		**4,425,946**		(214,027)
Other capital surplus	1,651,313		**-**		(1,651,313)
Capital surplus total	6,291,287		**4,425,946**		(1,865,341)
Earned surplus	(1,865,340)		**(2,667,105)**		(801,764)
Treasury stock	(1,610,569)		**(1,610,673)**		(103)
Total Owners' Equity:	16,857,211	52.2%	**14,190,002**	**55.8%**	(2,667,208)
Valuation and Translation Adjutments:					
Valuation difference on available-for-sale securities	159,088		**29,067**		(130,020)
Total Valuation and Translation Adjustments:	159,088	0.5%	**29,067**	**0.1%**	(130,020)
Total Net Assets:	17,016,299	52.7%	**14,219,070**	**56.0%**	(2,797,229)
Total Liabilities and Net Assets:	32,261,685	100.0%	**25,410,944**	**100.0%**	(6,850,741)

2. Non-Consolidated Statement of Income

(Thousands of Yen)

	Fiscal Year between April 1 and March 31				
	FY2006	% of Total	**FY2007**	**% of Total**	Difference
Net sales	27,457,487	100.0%	**25,488,830**	**100.0%**	(1,968,657)
Cost of sales	15,038,833	54.8%	**13,969,466**	**54.8%**	(1,069,367)
Gross profit	12,418,654	45.2%	**11,519,363**	**45.2%**	(899,291)
Selling, general and administrative expenses	13,916,335	50.7%	**10,865,429**	**42.6%**	(3,050,906)
Operating income (loss)	(1,497,681)	(5.5%)	**653,934**	**2.6%**	2,151,615
Non-operating income:					
Interest income	8,351		**7,492**		
Dividend income	51,591		**23,382**		
Insurance commission income	7,579		**5,447**		
Rent revenue	116,914		**123,203**		
Other non-operating income	50,733		**54,793**		
Total non-operating income	235,169	0.9%	**214,319**	**0.8%**	(20,850)
Non-operating expenses					
Interest expenses	188,144		**172,378**		
Provision of allowance for doubtful accounts	-		**132,653**		
Rental expenses	187,956		**160,754**		
Other non-operating expenses	11,760		**33,179**		
Total non-operating expenses	387,861	1.4%	**498,965**	**2.0%**	111,104
Recurring profit (loss)	(1,650,373)	(6.0%)	**369,288**	**1.4%**	2,019,661
Extraordinary income:					
Gain on sale of property, plant and equipment	3		**-**		
Insurance money received	206,333		**22,368**		
Gain on sale of investment securities	3,390		**4,284**		
Transfer from reserve for possible loan losses	-		**372**		
Transfer from reserve for bonuses	187,000		**-**		
Gain on insurance cancellation	22,969		**-**		
Total extraordinary income	419,697	1.5%	**27,024**	**0.1%**	(392,673)
Extraordinary losses:					
Loss on sale of property, plant and equipment	6,001		**70,676**		
Loss on disposal of property, plant and equipment	85,922		**33,121**		
Loss on cancellation of lease contract	9,633		**5,027**		
Loss due to disaster	205,958		**29,247**		
Loss on impairment of fixed assets	-		**2,645,886**		
Loss on valuation of investment securities	7,432		**49,487**		
Loss on valuation of shares of affiliates	-		**44,000**		
Loss on valuation of membership rights	5,666		**-**		
Provision of allowance for resource-recycling expenses	96,379		**-**		
Provision of reserve for directors' retirement benefits	-		**268,080**		
Reorganization of offices expenses	121,671		**15,888**		
Total extraordinary losses	538,664	1.9%	**3,161,416**	**12.4%**	2,622,752
Income(loss) before income taxes	(1,769,340)	(6.4%)	**(2,765,103)**	**(10.8%)**	(995,762)
Corporate income, local and enterprise taxes	96,000	0.4%	**(97,998)**	**0.3%**	(193,998)
Net income(loss)	(1,865,340)	(6.8%)	**(2,667,105)**	**(10.5%)**	(801,765)

3. Non-consolidated Statement of Changes in Net Assets

Previous accounting period (April 1, 2006 to March 31, 2007)

(Thousands of Yen)

	Owners' Equity			
		Capital Surplus		
	Paid-in Capital	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			
	Other Earned Surplus		Treasury Stock	
	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	(1,865,340)	(1,865,340)		(1,865,340)
Purchase of treasury stock			(458)	(458)
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	2,489,201	2,489,201	(458)	984,200
Balance at the end of current period	(1,865,340)	(1,865,340)	(1,610,569)	16,857,211

	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			(1,865,340)
Purchase of treasury stock			(458)
Reversal of profit from capital surplus			-
Net changes of items other than owners' equity	(50,653)	(50,653)	(50,653)
Total changes of items during the period	(50,653)	(50,653)	933,546
Balance at the end of current period	159,088	159,088	17,016,299

Current accounting period (April 1, 2007 to March 31, 2008)

(Thousands of Yen)

	Owners' Equity			
	Paid-in Capital	Capital Surplus		
		Capital Legal Reserve	Other Capital Surplus	
Balance at the end of previous period	14,041,834	4,639,973	1,651,313	6,291,287
Changes of items during the period				
Issuanse of new shares				
Net income				
Purchase of treasury stock				
Reversal of profit from capital surplus		(214,027)	(1,651,313)	(1,865,340)
Net changes of items other than owners' equity				
Total changes of items during the period		(214,027)	(1,651,313)	(1,865,340)
Balance at the end of current period	14,041,834	4,425,946	-	4,425,946

	Owners' Equity			
	Earned Surplus		Treasury Stock	
	Other Earned Surplus			
	Earned Surplus brought forward			
Balance at the end of previous period	(1,865,340)	(1,865,340)	(1,610,569)	16,857,211
Changes of items during the period				
Issuanse of new shares				
Net income	(2,667,105)	(2,667,105)		(2,667,105)
Purchase of treasury stock			(103)	(103)
Reversal of profit from capital surplus	1,865,340	1,865,340		-
Net changes of items other than owners' equity				-
Total changes of items during the period	(801,764)	(801,764)	(103)	(2,667,208)
Balance at the end of current period	(2,667,105)	(2,667,105)	(1,610,673)	14,190,002

	Valuation and Translation Adjustments		Net Assets
	Valuation Difference on Availble-for-sale Securities		
Balance at the end of previous period	159,088	159,088	17,016,299
Changes of items during the period			
Issuanse of new shares			
Net income			(2,667,105)
Purchase of treasury stock			(103)
Reversal of profit from capital surplus			-
Net changes of items other than owners' equity	(130,020)	(130,020)	(130,020)
Total changes of items during the period	(130,020)	(130,020)	(2,797,229)
Balance at the end of current period	29,067	29,067	14,219,070

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

Previous fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

SANIX has posted operating loss, recurring loss and net loss for five consecutive fiscal years since the year ended March 31, 2003.

Moreover, during the current year, the HS Division, the core business of the Company, 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 8, 2006. Due to the impact of these punishments, sales of the HS Division decreased significantly. As a result, the Company posted again operating loss of 1,497 million yen, net loss of 1,865 million yen.

These circumstances may raise a serious doubt regarding the assumption of a going concern.

To overcome these adverse conditions, the Company resolved on the Business Streamlining Plan at a board meeting on August 9, 2006, based on which it has strived for recovery of the operational performance through various efforts including closing and consolidation of certain sales offices, reduction of labor cost and other cost reduction efforts.

The plan has progressed satisfactorily. 53 sales offices are closed and consolidated mainly in the HS Division and the ES Division. Approximately 1,000 employees were reduced compared with the time before the implementation of the streamlining plan, saving approximately 2,300 million yen. In other costs, approximately 300 million yen was saved mainly in the area of communication, travel expenses and leases.

Because the positive effect of these measures taken during the current year will continue throughout the next year, costs will be further reduced. Moreover, since it is planned to discontinue advertising on helmets and reexamine expenditures of mecenat and other expenses, costs will be further saved approximately 400 million yen, which will lead to improvement in the operational results in next year.

In addition to the sales office closing and consolidation, personnel reduction and other measures to improve the efficiency of operations, the Company will endeavor to establish a compliance system. 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.

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.

5. Significant Accounting Policies Relating to Financial Statements

(1) Appraisal standards and appraisal methods for short-term investments

1) Stocks of subsidiaries: Cost method computed by moving average method

2) 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 net assets, 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

1) Finished products, products in progress and materials: Cost method computed by moving average method

2) Stored goods: The latest purchase cost method

(3) 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

(Change in Accounting Method)

In accordance with the provisions of the revised Corporation Tax Law, the tangible fixed assets depreciation method has been changed. Starting from April 1, 2007, tangible fixed assets acquired during and after April 2007 are depreciated fully to their memorandum values (¥1). This change has only minor impact on the Company.

Regarding tangible fixed assets acquired on and before March 31, 2007, the differences between residual values and memorandum values are depreciated in accordance with the revised Corporation Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches the “residual value” (as defined in the Corporation Tax Law before the revision) in a certain fiscal year, the difference between the residual value and the memorandum value of such asset is depreciated in equal amounts over five years from the following fiscal year.

Accordingly, compared with the figures computed using the former accounting method, gross profit for the fiscal 2007 decreased by 353 thousand yen, operating profit and recurring profit for the fiscal 2007 decreased by 6,514 thousand yen and 6,514 thousand yen, respectively, and net loss before tax adjustments increased by 6,514 thousand yen.

2) Intangible fixed assets: Straight-line method

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

(4) Accounting of deferred assets: Costs related to development are immediately expensed when the payment was made.

(5) 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) Provision for accrued bonuses: Provision for accrued bonuses to employees is made by appropriating an amount based on estimated total bonuses that will be paid during the year.

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) 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 current consolidated accounting period, 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.

5) Reserve for directors' retirement allowances: To provide for payment of retirement allowances to directors, the amount of bonuses accrued at the end of the period is provided in accordance with the Regulations for Directors' Retirement Allowances.

(Change in Accounting Method)

Traditionally, retirement allowances to directors of the Company and major consolidated subsidiaries were recorded as expenses when they were paid. Starting from the fiscal 2007, the Group adopted the accounting method stipulated in the "Treatment in Auditing of Reserves Under the Special Taxation Measures Law, and Reserves Under Special Laws and Reserve for Officer's Retirement Allowances" (issued by the Japanese Institute of Certified Public Accountants, dated April 13, 2007, Auditing/Guarantee Practice Committee Report No. 42). Accordingly, compared with the figures computed using the former accounting method, consolidated operating profit and recurring profit for the fiscal 2007 decreased by 22,730 thousand yen and 22,730 thousand yen, respectively, and net loss before tax adjustments increased by 239,700 thousand yen.

(6) 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.

(7) 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 following conditions, in accordance with its risk management policy:

i. The notional principal amount of the interest rate swap contract is the same as that of the principal amount of the relevant long-term borrowing;

ii. The term and maturity of the interest rate swap contract are the same as those of the relevant long-term borrowing;

iii. The index of the floating rate of the interest rate swap contract is the same as that of the relevant long-term borrowing;

iv. The terms for revision of interest rate of the interest rate swap contract are the same as those stipulated in the relevant long-term borrowing; and

v. The receipt-and-payment conditions of the interest rate swap contract are fixed throughout the swap period.

Assessment of validity of interest rate swap contracts concluded and maintained by the Company as of the account settlement date is omitted as they satisfy all of the above-mentioned requirements, and are thus qualified to be accounted for by the special treatment method.

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

Accounting treatment of consumption tax: Excluding tax method

7. Changes in Significant Accounting Policies Relating to Financial Statements

Prior fiscal year (April 1, 2006 to March 31, 2007)

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

During this fiscal year, "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 17,016,299 thousand yen.

Following the revision of the Rules for Financial Statements, the financial statements of the Company for the year ended March 31, 2007 were prepared in accordance with those revised rules.

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

During this fiscal year, 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.

Following the revision of the Rules for Financial Statements, the financial statements of the Company for the year ended March 31, 2007 were prepared in accordance with those revised rules.

Current fiscal year (April 1, 2007 to March 31, 2008)

(Elimination of "events or situations that arouse serious doubts regarding the assumption of a going concern")

In the year ended March 2003, the Company formed the Environmental Resources Development Division. Since the start-up cost of this Division was so huge, during the first few years the profits generated by the HS Division, the core business division of SANIX, could not fully cover the losses recorded by the ERD Division. Since then, operation of the ERD Division has stabilized, and its operating loss has decreased. However, the Company faced another challenge in July 2006. The HS Division was hit by administrative penalties by the Ministry of Economy, Trade and Industry for improper operations, including suspension of operation at six sales offices for three months from July 8, 2006. Due to the adverse impact of this situation, the Company reported operating loss, recurring loss and net loss for five consecutive fiscal years.

This situation raised serious doubts regarding the assumption of a going concern in the previous fiscal year.

To eliminate this situation, SANIX developed the "Business Streamlining Plan" in August 2006, under which closing and consolidation of sales offices and reduction of labor and other costs were promoted. These streamlining efforts contributed to improvement of the full-year operating results in the current year.

Moreover, in the area of marketing, reinforcement of the compliance system was diligently implemented, while efforts for improving marketing efficiency were also exerted. As a result of these actions, operating results recovered strongly, including increased sales in the HS Division, the Company's core business, compared with the previous year.

Consequently, SANIX achieved an operating profit of 653 million yen and recurring profit of 369 million yen in fiscal 2007, supported by strong performance from the HS Division, which generated a high operating profit margin. We believe that the Company succeeded in reforming its operations into profit centers. However, because an impairment loss of 2,687 million yen was recorded as extraordinary loss, the Group reported a net loss of 2,547 million yen in fiscal 2007.

Moreover, to eliminate concerns for the Tomakomai Power Plant of the ERD Division, where a fire occurred in February 2007, new fire prevention facilities were installed and the safety management system was strengthened. In addition, in January 2008, an outside professional power plant consultant was hired to seek ongoing consultation on safety and operation of the Tomakomai Power Plant. Enhanced with these systems to prevent plant troubles, the power plant completed regular maintenance and resumed operation substantially in August 2007. Since then, the power plant has maintained consistent operation except for a voluntary suspension period for check-up.

On April 22, 2008, SANIX announced a Med-Term Business Plan for three years from the year ending March 31, 2009 to the year ending March 31, 2011. In accordance with this plan, the Company will conduct an objective analysis of past managerial problems, develop achievable business targets, and strive for business management in strict compliance with laws and regulations.

By implementing the above-mentioned actions, "events or situations that arouse serious doubts regarding the assumption of an ongoing concern" were eliminated in SANIX.

7. Notes to Non- Consolidated Financial Statements

Notes to Non-Consolidated Balance Sheet

1. Hypothecated assets and secured liabilities

(1) Assets provided as collateral

(Factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	340,082	-
Structures	74,413	-
Machinery and equipment	464,953	-
Tools and appliances	4,128	-
Land	1,311,067	-
Total	2,194,645	-

(Other than factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	3,138,489	**2,899,049**
Land	10,925,096	**9,371,296**
Investment in Securities	566,321	**279,276**
Time deposit	100,000	-
Total	14,729,907	**12,549,622**

(2) Secured liabilities

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Short-term loans	1,800,000	**5,605,000**
Lomg-term loans payable in 1 year	1,834,400	**170,000**
Long-term loans	1,240,100	-
Total	4,874,500	**5,775,000**

Notes to Non-Consolidated Statement of Income

1. Research and development costs included in the administrative costs

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Administrative costs.	175,845	**113,463**

2. Transactions with affiliate companies are included as follows

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Rent revenues.	90,330	**90,747**

3. Breakdown of Gain on sale of property, plant, and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Vehicles.	3	**-**
Total gain on sale of property, plant and equipment.	3	**-**

4. Breakdown of Loss on sale of property, plant and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings.	-	**2,457**
Land.	-	**4,008**
Tools and appliances.	-	**64,210**
Telephone rights.	6,001	**-**
Total loss on sale of property, plant and equipment.	6,001	**70,676**

5. Breakdown of Loss on disposal of property, plant and equipment (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings.	81,603	**24,437**
Structures.	530	**-**
Machinery and equipment.	626	**477**
Tools and appliances.	3,161	**8,205**
Total loss on disposal of property, plant and equipment.	85,922	**33,121**

6. Loss due to disaster

(Prior accounting period ended March 31, 2007)

Losses due to disaster are those related to fires that occurred in the Ota Plant and the Tomakomai Power Plant. Since these losses will be fully covered by the non-life insurance maintained by the Company, the estimate amounts of insurance claims to be received are included in the extraordinary income for the current accounting period.

(Current accounting period ended March 31, 2008)

Losses due to disaster are those related to fires that occurred in the Kitakyushu Plant and the Ota Plant.

7. Loss on impairment of fixed assets

(Current accounting period ended March 31, 2008)

The Company recorded impairment loss related to the following asset groups.

(Asset Grouping)

In the HS and ES Divisions, a region is considered the minimum unit generating cash flow. In the ERD Division, the power generating business and waste plastic intermediate processing business supplying plastic fuel for power generation were considered as a single asset group. Other plants were grouped considering the similarity of their market, such as the type of waste handled. However, in accordance with the resolution adopted at the board meeting on September 18, 2007, the Kitakyushu Industrial Waste Incineration Plant, the Kitakyushu Waste Plastic Intermediate Processing Plant and the business of the Kyushu Branch were assigned to Asahipretec Corporation as of November 6, 2007. As a result of these assignments, these assigned assets were classified into a separate group. Each real property for leasing or idle real property is grouped into one group separately.

(Background for recognizing impairment loss)

In connection with the above-mentioned assignment of the asset group relating to the Kitakyushu Industrial Waste Incineration Plant, the Kitakyushu Waste Plastic Intermediate Processing Plant and Kyushu Branch, the estimated loss from assignment was recorded as an impairment loss (221,539 thousand yen) under extraordinary loss. Future expected cash flow was reviewed stringently for an asset group in the ERD Division comprising the SANIX Energy Tomakomai Power Plant and the plastic recycling plants that supply fuel plastics to the Tomakomai Power Plant. As a result of this review, it was expected that future cash flow will become less than the book value of the fixed assets in this asset group because the value of land owned by these plants fell significantly. Accordingly, an impairment loss was recorded. The book value of the asset group comprising the Tomakomai Power Plant and these plastic recycling plants was reduced to a recoverable value, and the reduced amount was recorded as an impairment loss (2,370,000 thousand yen) under extraordinary loss. A breakdown of impairment loss is as follows:

Buildings	31,613 thousand yen
Structures	7,233 thousand yen
Machinery, equipment and vehicles	246,072 thousand yen
Land	2,039,663 thousand yen
Long-term prepaid expenses	45,417 thousand yen

(Calculation of recoverable values)

The recoverable value of the idle property was based on the net sale value determined by appraisal of the property in accordance of real estate appraisal standards.

The recoverable value of the assigned asset group was determined by deducting necessary expenses from the assignment price.

The recoverable value of the asset group comprising the Tomakomai Power Plant and plastic recycling plants in the ERD Division was determined based on their use value, by discounting the future cash flow by 5%.

Notes to Non-Consolidated Statement of Changes in Net Assets

Previous fiscal year (April 1, 2006 to March 31, 2007)

1. Numbers of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	31-Mar-07
Number of shares of treasury stock (Shares)	1,207,223	1,440	-	1,208,663

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 1,440 shares

Current fiscal year (April 1, 2007 to March 31, 2008)

1. Numbers of Shares of Treasury Stock

	31-Mar-07	Increase	Decrease	31-Mar-08
Number of shares of treasury stock (Shares)	1,208,663	380	-	**1,209,043**

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 380 shares

Notes to Lease Transactions

①Relationship between balance of cash and cash equivalents at the end of period and value of items stated on the consolidated balance sheet

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
	Machinery and equipment	
Book Value	152,790	**203,335**
Cumulative depreciation	116,170	**105,463**
Value at end of year	36,619	**97,871**
	Automotive equipment	
Book Value	569,571	**358,330**
Cumulative depreciation	368,177	**220,035**
Value at end of year	201,393	**138,295**
	Tools and appliances	
Book Value	389,904	**332,506**
Cumulative depreciation	194,767	**189,374**
Value at end of year	195,137	**143,132**
	Total	
Book Value	1,112,265	**894,172**
Cumulative depreciation	679,115	**514,873**
Value at end of year	433,149	**379,298**
②Outstanding balance of future lease payments at the end of the period:		
Within one year	208,983	**171,113**
Over one year	311,598	**223,060**
Total	520,582	**394,174**
③Amount of lease fee payments, depreciation expense and interest expense:		
Lease fee payments	227,499	**232,935**
Depreciation expense	200,575	**213,006**
Interest expense	12,367	**13,608**

④Accounting method for the amount equivalent to depreciation expenses:

Accounting method for the amount equivalent to depreciation expenses and interest expenses:

Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the straight-line method.

Accounting method for the amount equivalent to interest expenses:

Interest expense for lease assets is calculated as the difference between the total lease payments andthe acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

⑤Operating lease transaction:

Outstanding balance of future lease payments:

	FY2006	**FY2007**
Within one year	100,572	**117,446**
Over one year	133,029	**59,933**
Total	233,602	**177,379**

Notes to Securities

(Prior accounting period ended March 31, 2006)

There were no securities valued at market of subsidiaries and affiliates.

(Current accounting period ended March 31, 2007)

There were no securities valued at market of subsidiaries and affiliates.

Notes to Tax Effect Accounting

1.Breakdown of major reasons for deferred tax assets and deferred tax liabilities: (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
(Deferred tax assets)		
Business tax payable	14,553	**14,848**
Depreciation expenses exceeding the deductible limit	3,256,812	**3,860,147**
Allowance for doubtful accounts exceeding the deductible limit	85,157	**151,284**
Allowance for retirement benefits exceeding the deductible limit	543,098	**407,558**
Non-deductible provision of reserve for deirectors' retirement benefits exceeding the deductible limit	-	**94,040**
Provision for accrued bonuses exceeding the deductible limit	-	**42,500**
Membership valuation loss	39,190	**39,190**
Loss on valuation of short-term investments in securities	17,722	**2,972**
Loss carried forward	2,864,722	**2,681,590**
Non-deductible allowance for resource-recycling expenses	312,414	**124,191**
Non-deductible subcontract expenses	2,068,177	**2,395,809**
Loss on valuation of shares of affiliates	146,400	**164,000**
Others	863,343	**923,425**
Deferred tax assets subtotal	10,211,592	**10,901,558**
Valuation reserve	(10,211,592)	**(10,741,558)**
Total deferred tax assets	-	**160,000**
(Deferred tax liabilities)		
Difference between market price and acquisition cost of other securities	106,058	**19,378**
Total deferred tax liabilities	106,058	**19,378**
Net deferred tax assets	106,058	**140,621**

2. Breakdown of major elements that caused the difference between the statutory effective tax rate and the corporate tax burden after the tax effect accounting:

(Previous fiscal year ended March 31, 2007)

This information is omitted because net loss before taxes and other adjustments was recorded for the previous year.

(Current fiscal year ended March 31, 2008)

This information is omitted because net loss before taxes and other adjustments is recorded for the current year.

Significant Subsequent Event

(Previous fiscal year ended March 31, 2007)

None

(Current fiscal year ended March 31, 2008)

None

VII. Others

1. Changes of Directors

1. Changes of representative

None

2. Changes of other directors (On December 31, 2007)

Director to resign: Kazunobu Zaitsu

Quarterly Information
1. Business Results

For the fiscal year ending March 31, 2008 (Consolidated) (Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
	FY2007			
Net sales	6,845	6,896	6,387	**6,381**
Gross profit	3,217	2,806	2,802	**2,883**
Operating income (loss)	330	(60)	120	**205**
Recurring profit (loss)	300	(68)	69	**193**
Income (loss) before income taxes	172	(554)	30	**(2,289)**
Net Income (loss)	152	(573)	12	**(2,138)**

For the fiscal year ended March 31, 2007 (Consolidated) (Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
	FY2006			
Net sales	8,966	6,565	6,817	6,558
Gross profit	4,451	2,380	3,023	2,823
Operating income (loss)	(114)	(1,358)	(132)	37
Recurring profit (loss)	(137)	(1,382)	(164)	25
Income (loss) before income taxes	51	(1,538)	(261)	(41)
Net Income (loss)	11	(1,590)	(284)	(66)

For the fiscal year ending March 31, 2008 (Non-consolidated) (Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
	FY2007			
Net sales	6,787	6,589	6,098	**6,014**
Gross profit	3,180	2,774	2,745	**2,820**
Operating income (loss)	358	(22)	123	**194**
Recurring profit (loss)	310	(169)	62	**164**
Income (loss) before income taxes	182	(653)	24	**(2,318)**
Net Income (loss)	160	(675)	2	**(2,154)**

For the fiscal year ended March 31, 2007 (Non-consolidated) (Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
	FY2006			
Net sales	8,488	6,218	6,366	6,384
Gross profit	4,349	2,322	2,967	2,780
Operating income (loss)	(122)	(1,342)	(102)	70
Recurring profit (loss)	(154)	(1,371)	(157)	33
Income (loss) before income taxes	34	(1,516)	(254)	(32)
Net Income (loss)	6	(1,543)	(277)	(50)

2. Segment Information by Type of Business

For the fiscal year ending March 31, 2008 (Thousands of Yen)

Home Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	4,277,900	4,009,942	3,567,595	**3,835,768**
(2)Internal sales among segments and transfer accounts	-	-	-	**-**
Total	4,277,900	4,009,942	3,567,595	**3,835,768**
Operating expenses	3,076,140	2,980,233	2,704,260	**2,754,457**
Operating income(loss)	1,201,760	1,029,709	863,334	**1,081,815**

Establishnebt Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	860,413	937,779	781,593	**761,138**
(2)Internal sales among segments and transfer accounts	-	-	-	**-**
Total	860,413	937,779	781,593	**761,138**
Operating expenses	904,096	951,445	854,931	**832,235**
Operating income(loss)	(43,683)	(13,665)	(73,337)	**(71,097)**

Environmental Resources Development Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	1,707,274	1,949,149	2,038,007	**1,784,109**
(2)Internal sales among segments and transfer accounts	177	176	59	**-**
Total	1,707,451	1,949,325	2,038,066	**1,784,109**
Operating expenses	1,978,179	2,506,586	2,191,171	**2,072,217**
Operating income(loss)	(270,727)	(557,260)	(153,105)	**(288,107)**

Elimination or Group	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	-	-	-	**-**
(2)Internal sales among segments and transfer accounts	(177)	(176)	(59)	**-**
Total	(177)	(176)	(59)	**-**
Operating expenses	557,012	518,649	516,241	**516,768**
Operating income(loss)	(557,189)	(518,825)	(516,300)	**(516,768)**

Consolidated	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	6,845,588	6,896,871	6,387,196	**6,381,016**
(2)Internal sales among segments and transfer accounts	-	-	-	**-**
Total	6,845,588	6,896,871	6,387,196	**6,381,016**
Operating expenses	6,515,428	6,956,913	6,266,605	**6,175,678**
Operating income(loss)	330,160	(60,041)	120,591	**205,337**

For the fiscal year ended March 31, 2007 (Thousands of Yen)

Home Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	5,251,140	3,223,983	3,252,737	3,477,360
(2)Internal sales among segments and transfer accounts	-	-	-	-
Total	5,251,140	3,223,983	3,252,737	3,477,360
Operating expenses	4,356,726	3,305,247	2,853,903	2,697,196
Operating income(loss)	894,414	(81,263)	398,834	780,164

Establishment Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	1,226,282	985,878	941,873	936,907
(2)Internal sales among segments and transfer accounts	-	-	-	-
Total	1,226,282	985,878	941,873	936,907
Operating expenses	1,269,009	1,117,322	987,318	927,976
Operating income(loss)	(42,727)	(131,443)	(45,445)	8,931

Environmental Resources Development Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	2,489,461	2,355,729	2,623,025	2,144,107
(2)Internal sales among segments and transfer accounts	272	537	247	149
Total	2,489,733	2,356,267	2,623,272	2,144,256
Operating expenses	2,712,861	2,846,504	2,570,597	2,397,441
Operating income(loss)	(223,127)	(490,237)	52,675	(253,185)

Elimination or Group	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	-	-	-	-
(2)Internal sales among segments and transfer accounts	(272)	(537)	(247)	(149)
Total	(272)	(537)	(247)	(149)
Operating expenses	743,181	655,018	538,753	497,784
Operating income(loss)	(743,453)	(655,555)	(539,001)	(497,933)

Consolidated	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	8,966,884	6,565,591	6,817,635	6,558,375
(2)Internal sales among segments and transfer accounts	-	-	-	-
Total	8,966,884	6,565,591	6,817,635	6,558,375
Operating expenses	9,081,778	7,924,092	6,950,572	6,520,399
Operating income(loss)	(114,893)	(1,358,500)	(132,937)	37,976