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SANIX

Consolidated Financial Statements **For the First Quarter ended June 30, 2008**

SANIX INCORPORATED

August 7, 2008

(Note) Numbers are rounded off to the nearest whole number.

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Summary of 1st Quarter

Summary of 1st Quarter

- Announced the mid-term business plan, "Spring Plan 2010" for fiscal years 2008 to 2010.
- Business results for the first quarter were roughly in line with forecasts, although there was a profit decrease from the same period last year..
- The Tomakomai Power Plant has maintained stable operation, when the Company replaced the existing electricity purchaser with a new purchaser since June.

Net Sales	:	6,583 Million Yen (4.7% below the projection)
Operating Income	:	-122 Million Yen (28 million yen below the projection)
Ordinary Income	:	-124 Million Yen (18 million yen below the projection)
Net Income	:	- 143 Million Yen (14 million yen below the projection)

- Sales were 4.7% below projection, due to lower-than expected sales for the HS and ERD Divisions.
- In terms of profitability, the ERD Division saw an increased operating loss due to a revenue decrease resulting from an about one-month delay in the change of purchaser of electricity generated by the Tomakomai Power Plant. The ERD Division's operating loss was offset by the higher-than-expected operating profit margin of the HS Division, our core business. On the whole, the Group's first quarter results were almost in line with projections.

1st Quarter : Statement of Income

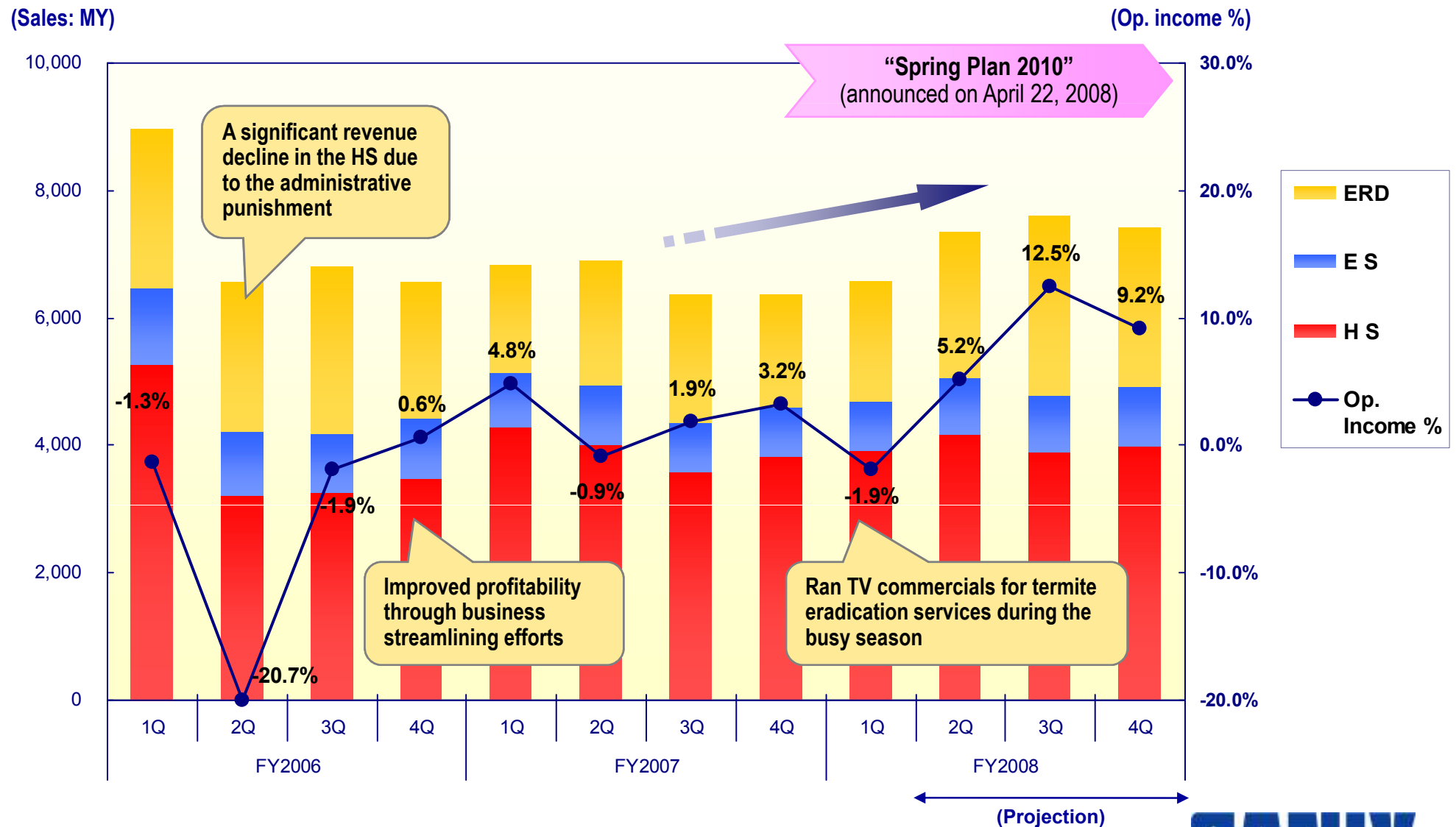
(Millions of Yen)

	FY2007		FY2008					
	1st Quarter		1st Quarter					
	Actual	% to Sales	Actual	% to Sales	% of Change	Projection	% of Change	Difference
Net Sales	6,845	100.0%	6,583	100.0%	96.2%	6,905	95.3%	(321)
(H S)	4,277	62.5%	3,908	59.4%	91.4%	4,097	95.4%	(189)
(E S)	860	12.6%	792	12.0%	92.1%	790	100.3%	2
(ERD)	1,707	24.9%	1,883	28.6%	110.3%	2,017	93.3%	(134)
Cost of Sales	3,628	53.0%	3,595	54.6%	99.1%	3,744	96.0%	(148)
Gross Profit	3,217	47.0%	2,987	45.4%	92.9%	3,160	94.5%	(173)
SGA	2,887	42.2%	3,110	47.3%	107.7%	3,255	95.6%	(144)
Operating Income	330	4.8%	(122)	—	—	(94)	—	(28)
Ordinary Income	300	4.4%	(124)	—	—	(105)	—	(18)
Net Income	152	2.2%	(143)	—	—	(129)	—	(14)

■ First quarter sales were as planned in the ES division. Sales from the HS and ERD Division were below the projection. In terms of costs, the selling, general and administrative expenses increased 7.7% from the same period last year, due to intensive television advertising for termite extermination services during the busy season, resulting in an operating loss.

1st Quarter : Segment Information (1)

■ Quarterly Net Sales and Operating Income Margin by Segment



1st Quarter : Segment Information (2)

(Millions of Yen)

		FY2007		FY2008					
		1st Quarter		1st Quarter					
		Actual	% to Sales	Actual	% to Sales	% of Change	Projection	% of Change	Difference
HS	Net Sales	4,277	100.0%	3,908	100.0%	91.4%	4,097	95.4%	(189)
	Gross Profit	2,859	66.8%	2,649	67.8%	92.7%	2,677	98.9%	(28)
	SGA	1,657	38.7%	1,833	46.9%	110.6%	1,984	92.4%	(151)
	Operating Income	1,201	28.1%	816	20.9%	67.9%	693	117.7%	122
ES	Net Sales	860	100.0%	792	100.0%	92.1%	790	100.3%	2
	Gross Profit	334	38.9%	307	38.9%	91.9%	302	101.6%	4
	SGA	378	44.0%	316	40.0%	83.6%	330	95.8%	(13)
	Operating Income	(43)	—	(8)	—	—	(27)	—	18
ERD	Net Sales	1,707	100.0%	1,883	100.0%	110.3%	2,017	93.3%	(134)
	Gross Profit	23	1.4%	30	1.6%	130.8%	179	16.8%	(149)
	SGA	294	17.2%	334	17.8%	113.7%	284	117.8%	50
	Operating Income	(270)	—	(304)	—	—	(104)	—	(200)
Group	Operating Income	(557)	—	(626)	—	—	(656)	—	30

1st Quarter : Summary of HS Division

HS Division

■ To expand the customer base, for the first time in two years the Company aired TV commercials during the busy season for termite eradication services.

The first quarter coincides with the busy season for termite control. Considering that this is a perfect opportunity to expand the customer base, the HS Division conducted a discount campaign for termite eradication service. Thanks to this campaign, revenues from sales of termite eradication service increased 2.7% over the projection, while revenues from foundation repairing treatment, our high unit price product, were below projection. As a result, the HS Division's sales were 3,908 million yen (4.6% below projection).

■ Net Sales by Product and Operating Income

(Millions of Yen)

	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q			
	Actual	Actual	Actual	Actual	Actual	% of Change	Projection	% of Change
Termite Eradication Service	1,476	1,303	1,140	1,102	1,528	103.6%	1,488	102.7%
Foundation Repairing Treatment	1,682	1,753	1,673	1,926	1,220	72.5%	1,511	80.7%
Under-Floor/-Roof Ventilation System	629	493	386	392	564	89.7%	583	96.8%
House Reinforcement System	103	98	70	79	110	107.4%	88	126.0%
Other	386	361	296	334	483	125.1%	425	113.7%
Total Net Sales	4,277	4,009	3,567	3,835	3,908	91.4%	4,097	95.4%
Operating Income	1,201	1,029	863	1,081	816	67.9%	693	117.7%

1st Quarter : Summary of ES Division

ES Division

■ Establishing a sales promotion system for corporate customers

The ES Division carried out aggressive sales promotion activities toward real estate management companies, with the aim of establishing a sales promotion system for corporate customers. The Division's sales were 792 million yen, 0.3% above projection. The ES Division recorded an operating loss of 8 million yen, much lower than the expected operating loss of 27 million yen. This result was due to improved profitability (as seen from the fact that the May-June period posted an operating profit) as a result of successful cost reduction efforts, mainly in the area of SG and A expenses.

■ Net Sales by Product and Operating Income

(Millions of Yen)

	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q			
	Actual	Actual	Actual	Actual	Actual	% of Change	Projection	% of Change
Anti-rust Equipment Installation	232	223	137	201	201	86.6%	186	107.9%
Repair of Building Water-works	243	269	248	251	220	90.6%	219	100.2%
Waterproofing of Building	122	198	157	100	139	114.2%	136	102.9%
Others	262	246	237	208	230	88.0%	247	93.2%
Total Net Sales	860	937	781	761	792	92.1%	790	100.3%
Operating Income	(43)	(13)	(73)	(71)	(8)	—	(27)	—

1st Quarter : Summary of ERD Division

ERD Division

■ The ERD Division entered into a contract with a new customer to sell electricity generated by the Tomakomai Power Plant, one month behind the original schedule.

As for the waste plastic processing business, revenues were 7.9% below projection because, although the acceptance volume was almost as planned, the unit price was lower than expected due to increased demand for high-quality plastic as a result of soaring crude oil prices. Power sales were 32.3% below projection, due to an about one-month delay in the change of electricity purchaser (this delay was because it took a long time to complete the procedures for power transmission route switchover). The organic liquid waste processing business had an 8.1% increase in revenues over projection, due to a unit price increase resulting from revision of the processing unit price. As a result, the ERD Division's overall sales were 6.7% below projection. The Division's operating income was 200 million yen below projection, primarily due to increased SG&A expenses (17.8% higher than expected) resulting from an increase in personnel at plastic recycling plants to support the anticipated increase in acceptance volume.

■ Net Sales by Product and Operating Income

(Millions of Yen)

	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q			
	Actual	Actual	Actual	Actual	Actual	% of Change	Projection	% of Change
Plastic Recycled	913	884	1,046	932	891	97.6%	967	92.1%
Power Generation	7	249	236	276	270	—	398	67.7%
Organic Waste Water Recycled	454	465	509	459	544	119.8%	503	108.1%
Incineration	252	251	115	—	—	—	—	—
Other	80	98	128	115	177	221.5%	147	120.3%
Total Net Sales	1,707	1,949	2,038	1,784	1,883	110.3%	2,017	93.3%
Operating Income	(270)	(557)	(153)	(288)	(304)	—	(104)	—



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Forecast for Consolidated FY2008

Mid-term Business Plan “Spring Plan 2010”

(Announced on April 22, 2008)

Objectives of the Mid-term Business Plan

Reform the business structure - Aiming for feasible business plans and management based on thorough compliance with regulations. As a result of achieving operating profit margin exceeding 10% for the FY2010, **Realize the return to a highly-profitable company**

■ Projection

(Millions of Yen)

	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Projection	FY2009 Projection	FY2010 Projection
Net Sales	36,509	28,908	26,510	29,297	30,728	31,520
HS Division	20,905	15,205	15,691	16,154	16,421	16,602
ES Division	5,406	4,090	3,340	3,504	3,594	3,697
ERD Division	10,198	9,612	7,478	9,638	10,713	11,220
Operating Income	(3,382)	(1,568)	596	1,922	2,740	3,164
Op. Income %	-9.30%	-5.40%	2.20%	6.60%	8.90%	10.00%
Ordinary Income	(3,479)	(1,659)	495	1,882	2,701	3,124
Net Income	(4,252)	(1,930)	(2,547)	1,680	2,606	3,029
Depreciation	1,555	1,388	1,153	1,010	902	814
EBITDA ⁽¹⁾	(1,827)	(179)	1,749	2,932	3,642	3,977
Net Interest-bearing Debt ⁽²⁾	10,020	7,201	4,815	3,020	(1,526)	(4,538)

(1) EBITDA = Operating income + Depreciation cost, (2) Net interest-bearing debt = Interest-bearing debt - Cash and deposits

FY2008 : Statement of Income (Projection)

**There is no change for business results forecast.*

(Millions of Yen)

	1st-Half				Full Year			
	Projection	% to Sales	% of Change	Difference	Projection	% to Sales	% of Change	Difference
Net Sales	14,256	100.0%	103.7%	513	29,297	100.0%	110.5%	2,786
(H S)	8,270	58.0%	99.8%	(17)	16,154	55.1%	103.0%	463
(E S)	1,683	11.8%	93.6%	(114)	3,504	12.0%	104.9%	163
(ERD)	4,301	30.2%	117.7%	645	9,638	32.9%	128.9%	2,159
Cost of Sales	7,796	54.7%	101.0%	77	15,545	53.1%	105.0%	744
Gross Profit	6,460	45.3%	107.2%	436	13,752	46.9%	117.4%	2,042
SG&A	6,168	43.3%	107.2%	415	11,829	40.4%	106.4%	715
Operating Income	291	2.0%	107.8%	21	1,922	6.6%	322.5%	1,326
Ordinary Income	275	1.9%	118.4%	42	1,882	6.4%	380.1%	1,387
Net Income	227	1.6%	—	649	1,680	5.7%	—	4,228

■ Regarding sales for the 1st-half, the HS Division's sales are expected to remain at the previous year's level. The ERD Division's sales are expected to increase 17.7% from the same period last year, rebounding from the prolonged suspension of the operation of the Tomakomai Power Plant due to a fire and periodic repair and maintenance. Regarding full-year business performance, it is expected that all Divisions will show increases in revenues from the previous year. As a result, a net profit is expected in this fiscal year.

FY2008 : Segment Information (Projection)

**There is no change for business results forecast.*

(Millions of Yen)

		1st-Half				Full Year			
		Projection	% to Sales	% of Change	Difference	Projection	% to Sales	% of Change	Difference
HS	Net Sales	8,270	100.0%	99.8%	(17)	16,154	100.0%	103.0%	463
	Gross Profit	5,479	66.3%	98.5%	(84)	10,749	66.5%	101.5%	159
	SGA	3,707	44.8%	111.2%	374	6,962	43.1%	108.6%	548
	Op. Income	1,772	21.4%	79.4%	(459)	3,787	23.4%	90.7%	(388)
ES	Net Sales	1,683	100.0%	93.6%	(114)	3,504	100.0%	104.9%	163
	Gross Profit	646	38.4%	93.3%	(46)	1,348	38.5%	110.7%	130
	SGA	665	39.5%	88.7%	(84)	1,338	38.2%	94.3%	(80)
	Op. Income	(18)	—	—	38	10	0.3%	—	211
ERD	Net Sales	4,301	100.0%	117.7%	645	9,638	100.0%	128.9%	2,159
	Gross Profit	333	7.8%	—	567	1,653	17.2%	—	1,751
	SGA	581	13.5%	97.7%	(13)	1,183	12.3%	101.1%	12
	Op. Income	(247)	—	—	581	469	4.9%	—	1,739
Group	Op. Income	(1,214)	—	—	138	(2,344)	—	—	235



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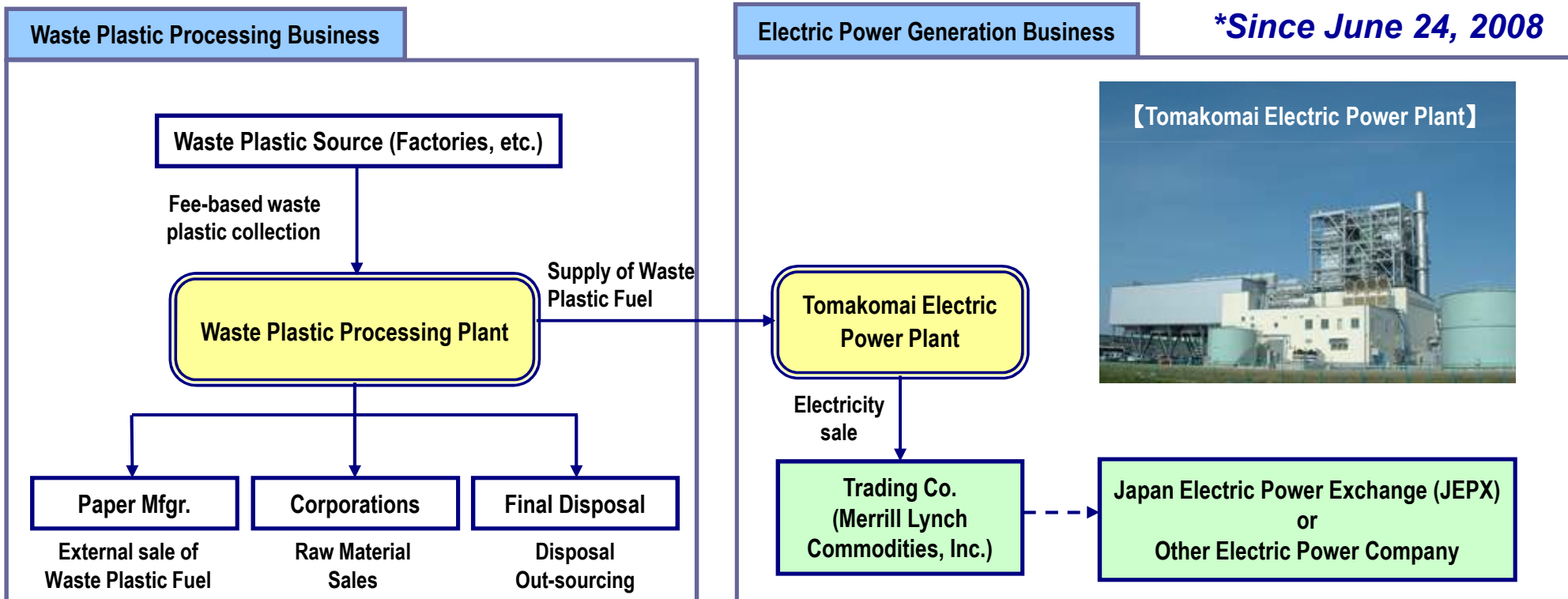
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ERD Division:

Power Generation Business

Business Structure (After the change of electricity purchaser)

Business Structure : Resource-recycling Power Generation Business



■ Profitability has significantly improved as a result of the change of electricity purchaser

In May 2008, the restrictions placed on the amount of electricity transmitted from Hokkaido to Honshu were relaxed, enabling the sale of electricity in the nationwide wholesale electricity market. The Company replaced the existing electricity purchaser with a new purchaser; as a result, the unit price of electricity sold has approximately doubled compared to the previous contract. Due to the increased unit price, if the plant maintains stable operation—even at an operation rate of about 40%, the electric power generation business is expected to generate profits.

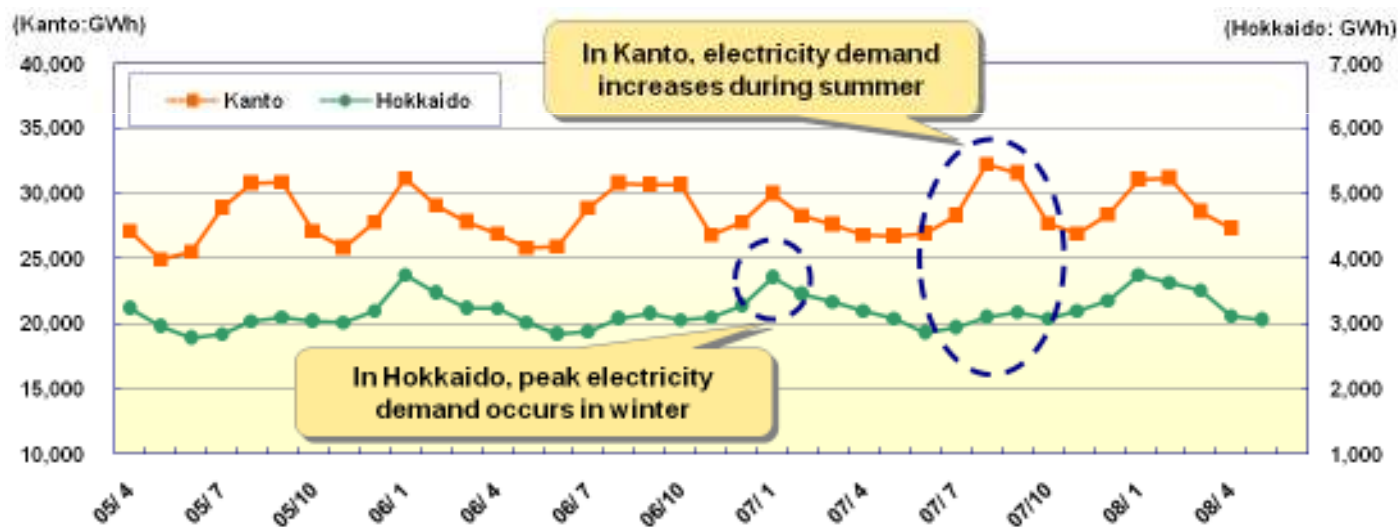
Business Environment

■ Crude Oil Import Prices (CIF)



(Source) Trade Statistics Report issued by the Ministry of Finance

■ Comparison of Total Electricity Demand Between Regions



(Source) Electricity Demand Report issued by the Ministry of Economy, Trade and Industry

■ Recently the business environment surrounding the electricity industry has become increasingly severe, due to soaring crude oil and coal prices. However, the SANIX Group considers that now—when electricity prices are on the rise—is the perfect time to get its electric power generation business on track for growth. These recent price increases have boosted demand for waste plastic fuel, providing a tailwind for our waste plastic processing business.

■ When comparing total electricity demand between the Kanto region and Hokkaido, the electricity demand in Kanto is about nine times as large as in Hokkaido. Since it has become possible for the Company to sell electricity in the Kanto market, electricity transactions can be conducted under more favorable terms and conditions.

Operational Situation of Electric Power Plant

Resource-recycling Power Generation Business (Projection)

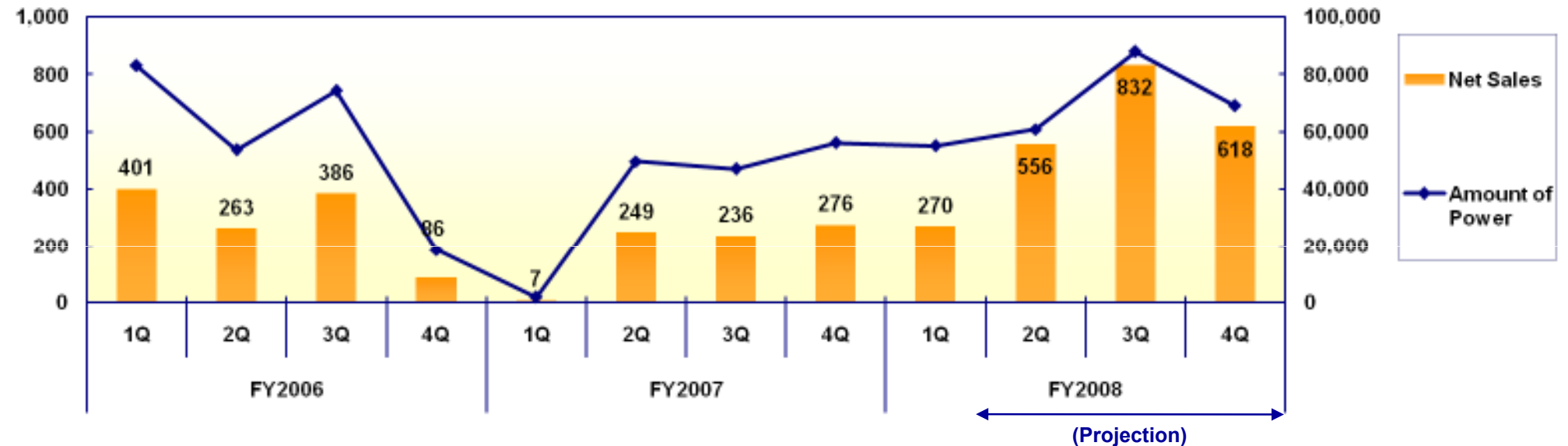
■ Operating results for the resource-recycling power generation business will improve in and after the 2nd quarter

Power sales are expected to increase considerably due to the change of electricity purchaser. Since the power plant will cease operation for periodic repair and maintenance in September, an operating loss is expected for the second quarter. However, the power sales business is likely to move back into the black in the second half of the current fiscal year.

■ Quarterly Net Sales and the Amount of Power Generated Tomakomai Power Plant

(Net Sales: MY)

(Amount of Power: MWh)



Operation was suspended due to fire

Engage consulting from technical consultants for stable operation

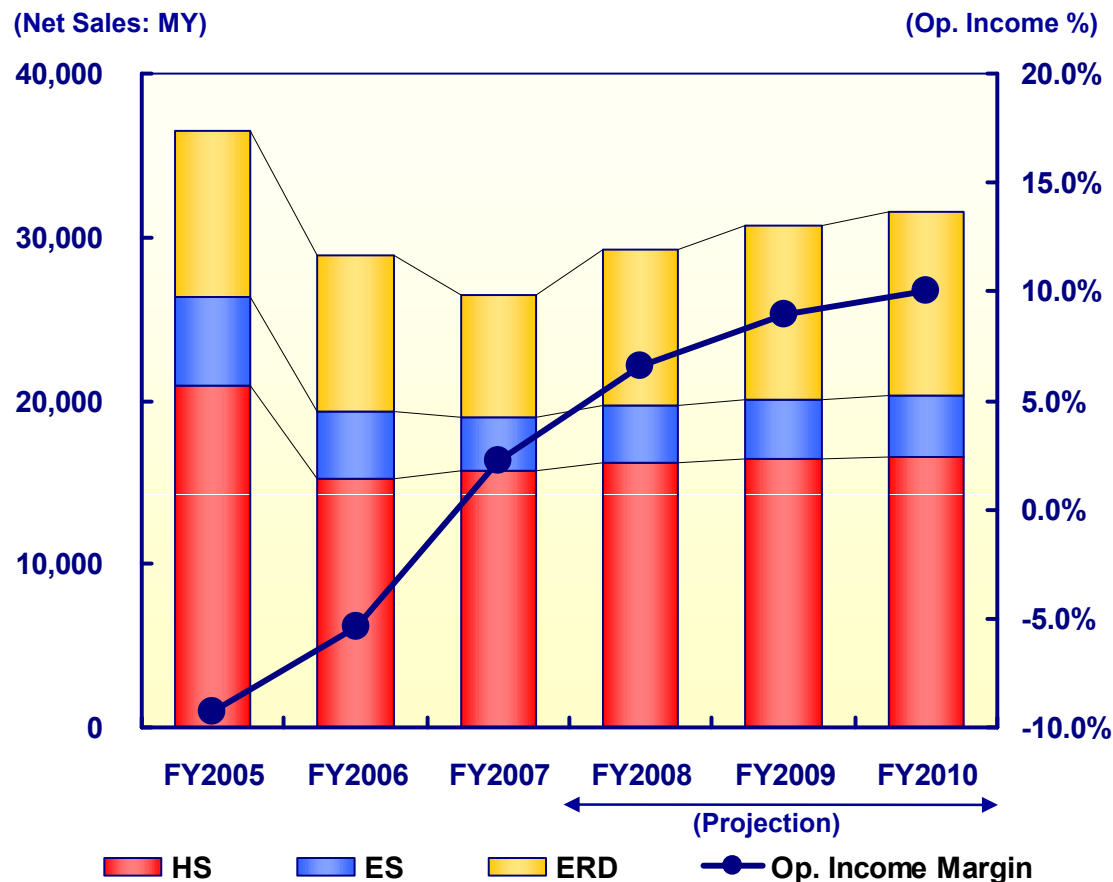
Start selling electricity to a new purchaser at a approx. doubled unit price

FY2008 : Investment Highlights

■ Business results for the first quarter were roughly in line with forecasts

- The HS Division, the Company's core business, delivered steady performance.
- The ERD Division's profitability has improved as a result of the change of electricity purchaser in June.

■ Net Sales and Operating Income Margin



■ Forecast for FY2008

(Millions of Yen)

	1st-Half	Annual
Net Sales	14,256	29,297
(HS)	8,270	16,154
(ES)	1,683	3,504
(ERD)	4,301	9,638
Op. Income	291	1,922
(Op. Income %)	2.0%	6.6%
Ordinary Income	275	1,882
Net Income	227	1,680

Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

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