SANIX INCORPORATED

Consolidated/Non-Consolidated

Financial Summary

For the Fiscal Year ended March 31, 2007

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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 16, 2007

Consolidated Financial Statements

For the Fiscal year ended March 31, 2007

SANIX INCORPORATED

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

1. Consolidated Financial Highlights for the Year ended March 31, 2007

(April 1, 2006 to March 31, 2007)

(1) Consolidated Operating Results

(Millions of Yen)

	Fiscal Year between April 1 and March 31			
	FY2006	% change	**FY2007**	**% change**
Net Sales	36,509	(17.2%)	**28,908**	**(20.8%)**
Operating Income	(3,382)	-	**(1,568)**	-
Recurring Profit	(3,479)	-	**(1,659)**	-
Net Income	(4,252)	-	**(1,930)**	-
Net Income per Share(¥)	(¥107.16)	-	**(¥43.03)**	-
Net Income per Share, Diluted(¥)	-	-	-	-
Return on Equity	(22.6%)	-	**(11.3%)**	-
Ratio of Recurring Profit to Net Assets	(8.6%)	-	**(4.7%)**	-
Ratio of Operating Income to Net Sales	(9.5%)	-	**(5.4%)**	-

(2) Consolidated Financial Position

(Millions of Yen)

	Fiscal Year from April 1 to March 31	
	FY2006	**FY2007**
Total Assets	37,718	**32,705**
Net Assets	16,657	**17,540**
Shareholders' Equity Ratio (%)	44.2%	**53.6%**
Net Assets per Share (¥)	¥416.08	**¥367.19**

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2006	- 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	(1,776)	**(1,006)**
Cash Flows from Investing Activities	1,598	**1,583**
Cash Flows from Financing Activities	(1,382)	**(1,380)**
Balance of Cash and Cash Equivalents at End of Period	1,398	**595**

2. Dividends

	Fiscal Year from April 1 to March 31	
	FY2006	**FY2007**
Dividend per Share at the end of 1st Half (¥)	¥0.00	**¥0.00**
Dividend per Share at the end of the year (¥)	¥0.00	**¥0.00**
Annual dividend per Share (¥)	¥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, 2008)

(Millions of Yen)

	First Half as of September 30	Full Year ending March 31
	FY2008	
Net Sales	14,230	28,680
Operating Income	160	1,000
Recurring Profit	100	900
Net Income	(60)	660
Net Income per Share(¥)	(¥1.26)	¥13.83

4. Others

(1) Change in Consolidation

None

(2) Changes in accounting method

Sanix changes in accounting method in accordance with the change in accounting standards.

(3) Number of shares issued and outstanding at period end

i) Number of shares issued

Fiscal Year ended March 31, 2006	41,224,736 shares
Fiscal Year ended March 31, 2007	48,919,396 shares

ii) Number of shares of treasury stock

Fiscal Year ended March 31, 2006	1,207,223 shares
Fiscal Year ended March 31, 2007	1,208,663 shares

Reference: Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for the Fiscal Year ended March 31, 2007

(April 1, 2006 to March 31, 2007)

(1) Non-Consolidated Operating Results

(Millions of Yen)

	Fiscal Year between April 1 and March 31			
	FY2006	% change	**FY2007**	**% change**
Net Sales	35,031	(16.6%)	**27,457**	**(21.6%)**
Operating Income	(3,467)	-	**(1,497)**	**-**
Recurring Profit	(3,580)	-	**(1,650)**	**-**
Net Income	(4,534)	-	**(1,865)**	**-**
Net Income per Share(￥)	(¥109.55)	-	**(¥41.58)**	**-**
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	36,791	**32,261**
Net Assets	16,082	**17,016**
Shareholders' Equity Ratio (%)	43.7%	**52.7%**
Net Assets per Share (￥)	¥401.89	**¥356.66**

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2006 - million yen

Fiscal Year ended March 31, 2007 17,016 million yen

2. Forecasts for Non-Consolidated Business Results (For the fiscal year ending March 31, 2008)

(Millions of Yen)

	First Half as of September 30	Full Year ending March 31
	FY2008	
Net Sales	13,650	27,000
Operating Income	120	940
Recurring Profit	20	760
Net Income	(100)	580
Net Income per Share(￥)	(¥2.10)	¥12.16

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. Fiscal Year Overview

During the fiscal year ended March 31, 2007, the Japanese economy expanded modestly, although we still have to pay keen attention to the movement of crude oil prices. Companies continued to report high level of earnings, and investments in the private sector continued growing. Employers' income also continued mo dest expansion. Personal consumption stayed in the upward tendency although the growing speed slowed down a little.

In the environmental sanitation industry, people's interest in the maintenance of houses and buildings remained very strong, but consumers have become severer in selecting a service provider. To be chosen by such selective customers, differentiated appealing and selling power of our products, enhanced ability of sales representatives to respond to customers' requests, and more customer-oriented marketing attitude were necessary.

Under these circumstances, the HS Division of the SANIX Group was imposed administrative punishments by the Ministry of Economy, Trade and Industry, according to the Specific Commercial Transactions Law, for its impro per operation. The punishments included the suspension of the operation of six sales offices of the HS Division for three month from July 8, 2006. To prevent recurrence of similar improper practices, the SANIX Group has reviewed its compliance system and restructured the control organization. However, the administrative punishments had a grave negative impact on the operating results of HS and ES Division. Accordingly, to recover the slumped operating results by drastic measures, the SANIX Group developed and announced the "Business Streamlining Plan" on August 9, 2006. According to this Plan, closing and consolidation of certain sales offices, personnel reduction, salary reduction and other cost reduction measures were implemented to lower the profit and loss break-even point.

Consequently, the loss level in the second half of the year was reduced significantly compared with the first half. In the fourth quarter (January to March 2007), the Company recorded recurring profit (compared with recurring loss re corded in previous quarters). This was due to distinct improvement in profitability of its operation through various cost reductions achieved in accordance with the Business Streamlining Plan, which more than offset the decrease in sales both in the HS Div ision and the ES Division and the negative impact temporarily experienced in the ERD Division as a result of suspension of the operation of the SANIX Energy Tomakomai Power Plant (Tomakomai, Hokkaido) because of a fire.

As a result, sales decreased in all of the three divisions: the HS Division, the ES division and the ERD Division. Sales by the entire Group decreased 20.8% from the previous year to 28,908 million yen. Ordinary loss totaled to 1,659 million yen (compared with ordinary loss of 3,479 million yen in the previous year). Although the break-even point was lowered through the group-wide cost reduction efforts implemented according to the Business Streamlining Plan, this improvement was offset by a decrease in sales revenues in the HS Division where the marginal profit ratio is high, resulting in the decrease in the profit level of this Division, and a significant loss of revenues in the ERD Division due to a fire at the SANIX Energy Tomakomai Power Plant. During the current year, as a result of closing and consolidation of certain sales offices, sales office restructuring expenses of 121 million yen was recorded as extraordinary loss. Moreover, because the stock level of waste plastic fuel increased due to a fire at the SANIX Energy Tomakomai Power Plant, incremental future storage cost of 96 million yen was provided to the Allowance for resource-recycling expenses account. Consequently, net loss for the current year totaled to 1,930 million yen (compared with net loss of 4,252 million yen in the pre vious year).

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

Earnings of individual divisions:

Home Sanitation Division

After the administrative punishments in the second quarter, the HS Division implemented measures to recover consumers' confidence in the Company. Recognizing the improvement of its compliance system is the most important issue, it voluntarily set stricter rules for sales representatives, and implemented education and training of sales representatives. In the second half, employees' consciousness of compliance has increased, and the quality of sales representatives has improved. Although sales have been recovering steadily as a result of these efforts, they did not reach the level before the administrative punishments. Consequently, sales decreased 27.3% to 15,205 million yen, compared with the previously year.

Despite the sharp decline in sales, operating profit increased to 1,992 million yen (compared with operating profit of 1,552 million yen in the previous year), supported by the gradual favorable impact of the improvement in the ratio of labor cost to sales achieved by the implementation of the Business Streamlining Plan and the decline in fixed costs.

Establishment Sanitation Division

In the ES Division, the sales operation was adversely affected by the administrative punishments imposed on the HS Division. Sales revenues from "Water Activator Installation" business, targeted at new sales to commercial buildings and apartment houses, decreased significantly. As a result, total sales of the Division decreased 24.3% to 4,090 million yen from the previous year.

Despite the sharp decline in sales, operating loss improved to 210 million yen (compared with operating loss of 260 million yen in the previous year), supported by the cost reduction efforts implemented according to the Business Streamlining Plan.

Environmental Resources Development Division

Revenues from power sales in the ERD Division increased by 13.6% from the previous year, supported by the stable operation of the SANIX Energy Tomakomai Power Plant during the first three quarters as a result of improved quality of plastic fuel, partially offset by the negative impact caused by a fire at the same plant that occurred in the fourth quarter. Revenues from the waste plastic processing business decreased 11.1%. This decrease was due to selective purchase of waste plastic with high quality aiming at expanding the sales of waste plastic fuel to customers outside the Group, and limited purchase to minimize the expansion in the inventory of waste plastic fuel caused by the fire at the power plant. Revenues from the incineration business increased 29.5% partly because the operation was limited by the fire in the last year. Revenues from the organic liquid waste processing business increased 1.0%. Consequently, sales by the ERD Division decreased by 5.7% to 9,612 million yen from the previous year.

Despite the decline in sales revenues, operating loss improved to 913 million yen (compared with operating loss of 1,601 million yen in the previous year) supported by the cost reduction achieved.

2. Prospect for Next Year

As a leader in the environmental sanitation industry, and returning to its principle of "Customers Come First," the SANIX Group will further enhance the performance of its products and engineering ability and endeavor to improve its compliance system. To this end, the Company established the Compliance Department in September 2006 to ensure its business development in stricter compliance with laws and regulations. Aiming at creating a self-cleansing compliance structure, the Compliance Department has established, in collaboration with the Internal Auditing Department, a monitoring system that checks the status of compliance with laws and regulations applicable to the business of the Company as well as its stricter self-imposed rules, putting emphasis on preventive actions to find potential risks and problems within the company and take improving measures beforehand.

Under these circumstances, taking seriously the administrative punishments imposed on it, the SANIX Group will continue its diligent and sincere efforts in business operations in order to recover customers' confidence in SANIX. Especially, when entering into service contracts with individual consumers, the Company will take prudent steps to avoid troubles with consumers, including following the Company's own self-imposed rules that are stricter than those required by the Specific Commercial Transactions Law to ensure that customers make well-informed decisions. While sales environment will remain tough, it is expected that the sales slump in the HS Division will hit the bottom and will recover gradually in the next year. In the ERD Division, in response to the fire at SANIX Energy Tomakomai Power Plant, the frequency of regular inspection will be increased and maintenance will be completely implemented to prevent disaster and to ensure safe operation.

The Company expects that ordinary income will be recorded next year, recovering from ordinary loss in the current year, as a result of further progress in business streamlining and cost reductions in each business segment. Net income will also be recorded in next year compared with net loss in the current year.

3. Consolidated Cash Flow

As of March 31, 2007, cash and cash equivalents totaled 595 million yen on a consolidated basis, a decrease of 803 million yen over the previous year-end.

Cash flow used by operating activities totaled 1,006 million yen. This was 770 million yen less in cash flow from the same period last year. The main factors contributing to this was operating loss. Net cash provided from investing activities increased to 1,583 million yen (a decrease of 15 million yen from the previous year). The increase was mainly due to the decrease in compulsory deposits required by lenders. Net cash used for financing activities totaled 1,380 million yen (a decrease of 2 million yen from the previous year). Here, accelerating the repayment of debt was responsible.

The cash flow indicators of the SANIX Group are as follows.

	FY2003	FY2004	FY2005	FY2006	FY2007
Shareholders' equity ratio	62.5%	56.8%	48.1%	44.2%	53.6%
Shareholders' equity ratio on a market price basis	41.0%	62.4%	67.9%	62.6%	30.4%
Debt-redemption years	–	–	7.05 year	–	–
Interest coverage ratio	–	–	7.96	–	–

(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 2003, 2004, 2006 and 2007 as the operating cash flow was negative in these years.

4. 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 HS Division experienced a significant sales decrease and recorded net loss as a result of administrative punishments imposed by the Ministry of Economy, Trade and Industry under the Specific Commercial Transactions Law. Accordingly, the Company will not pay dividends for the year, considering the severe conditions.

The Company will strive for recovering its sales performance in and after the next year so that it can make stable distribution of profits to shareholders, based on the operating results of each year and future plan for business development.

5. 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. If any current law or regulation applicable to its businesses becomes stricter or revised, or if a new law or regulation is formed beyond the Company's prediction, 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 any current law or regulation applicable to its businesses becomes stricter or revised, or if a new law or regulation is formed beyond the Company's prediction, 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

In the Tomakomai Power Plant, the core facility for the resource recycling power generation system of the Company, 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

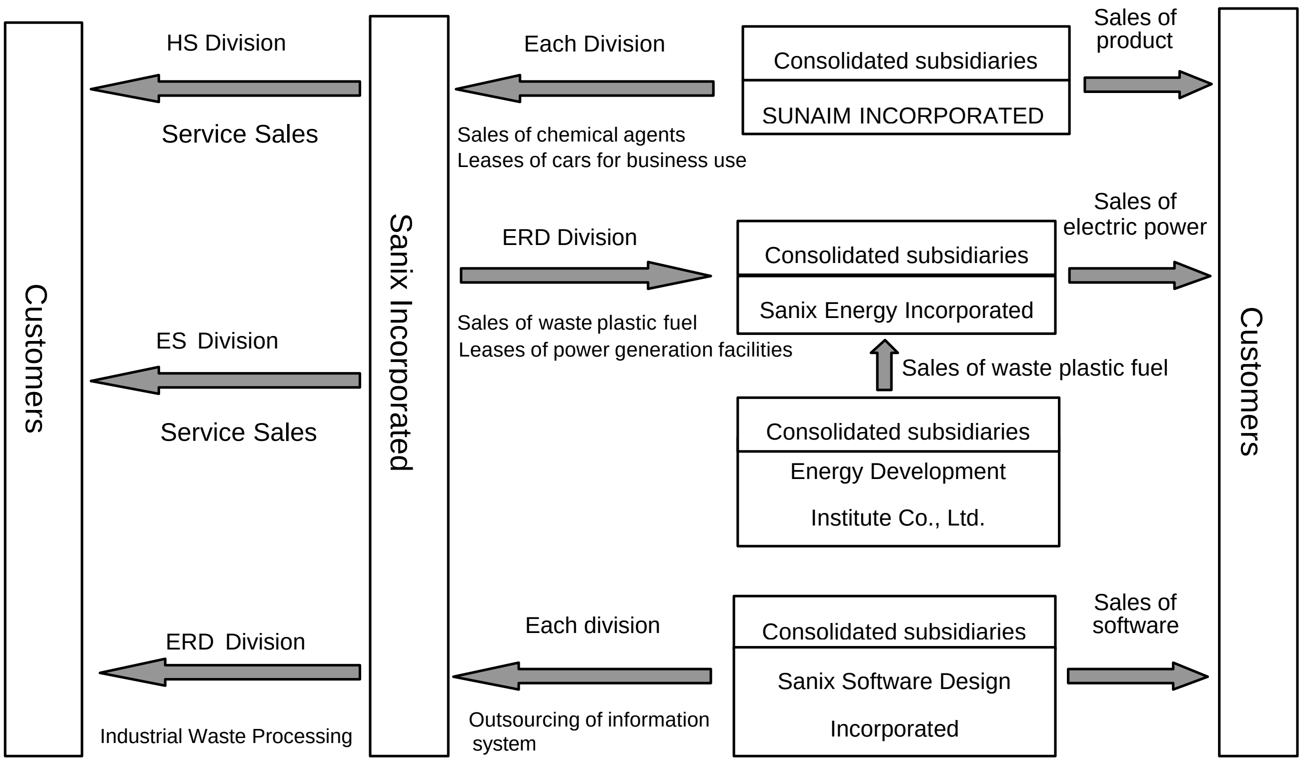
The SANIX Group is composed of SANIX Incorporated and 6 subsidiaries. SANIX's core businesses are residential environmental sanitation and maintenance, sanitation services for office buildings, intermediate processing of industrial waste and electricity generation with a focus on recycling resources.
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, Under-Floor/Under-Roof Ventilation System and House Reinforcement System.

ES Division: The division offers environmental sanitation services for offices and condominium. The main services are Water activator 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. (Sunaim leases these vehicles from Orix Auto Lease, and so on.) SANIX purchased information system services relating to each of its divisions from Sanix Software Design Incorporated.



Note: HS Division is an abbreviation for Home Sanitation Division, ES Division is an abbreviation for Establishment Sanitation Division and ERD Division is an abbreviation for Environmental Resources Development Division.

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, detoxification, and volume reduction; 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 services, under-floor and under-roof ventilation systems, and Home Reinforcement System. Our medium and long term goal is 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. The medium and long term goal is to improve the operating profit ratio of the division by improving operating and service efficiency, increasing sales, and lowering related costs.

(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 delive ry 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

Treating the occurrence of the fire incidents at Kitakyushu plant and Tomakomai Power Plant with the utmost seriousness, 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. 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	3,398,895		**595,837**		(2,803,058)
Notes and accounts receivable	2,536,692		**2,224,933**		(331,759)
Inventories	1,035,664		**842,464**		(193,199)
Deferred income taxes	22,742		**124**		(22,618)
Other current assets	356,424		**519,715**		163,291
Allowance for doubtful accounts	(42,451)		**(57,400)**		(14,949)
Total Current Assets:	7,307,968	19.4%	**4,125,675**	**12.6%**	(3,182,293)
Fixed Assets:					
Tangible Fixed Assets:					
Buildings and structures	6,042,867		**5,453,609**		
Machinery, equipment and vehicles	5,655,895		**5,031,339**		
Land	15,122,635		**15,123,935**		
Construction in progress	6,523		**7,669**		
Other tangible fixed assets	216,212		**185,921**		
Total Tangible Fixed Assets:	27,054,133	71.7%	**25,802,475**	**78.9%**	(1,251,657)
Intangible Fixed Assets:					
Total Intangible Fixed Assets:	77,544	0.2%	**70,498**	**0.2%**	(7,045)
Investments and Other Assets:					
Investments in securities	1,311,354		**1,194,405**		
Deposits and guaranty	1,469,398		**1,226,057**		
Deferred tax assets	14,960		**1,733**		
Other	879,614		**686,468**		
Allowance for bad loans	(396,793)		**(402,130)**		
Total Investments and Other Assets:	3,278,533	8.7%	**2,706,534**	**8.3%**	(571,999)
Total Fixed Assets:	30,410,211	80.6%	**28,579,508**	**87.4%**	(1,830,703)
Total Assets:	37,718,180	100.0%	**32,705,183**	**100.0%**	(5,012,996)

(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	801,006		**716,787**		(84,219)
Short-term loans	3,400,000		**2,950,000**		(450,000)
Long-term loans payable in 1 year	2,434,078		**1,858,746**		(575,332)
Corporate bond payable in 1 year	330,000		**330,000**		—
Amounts in arrears	2,110,280		**1,547,365**		(562,915)
Accrued expenses	1,168,380		**781,495**		(386,884)
Accrued income taxes	174,688		**151,413**		(23,275)
Consumption tax payable	5,271		**8,561**		3,289
Accrued bonuses	182,418		**8,639**		(173,779)
Allowance for resource-recycling expenses	904,914		**781,035**		(123,878)
Other current liabilities	160,105		**26,897**		116,791
Total Current Liabilities:	11,671,144	31.0%	**9,410,940**	**28.8%**	(2,260,203)
Non-Current Liabilities:					
Corporate Bond	3,605,000		**425,000**		(3,180,000)
Long-term debt	3,650,718		**2,233,972**		(1,416,746)
Long-term debt from a director	-		**975,000**		975,000
Deferred tax liabilities	139,827		**106,058**		(33,769)
Monetary deposits	14,479		**14,479**		-
Retirement benefit	1,677,102		**1,379,356**		(297,746)
Other non-current liabilities	278,879		**619,919**		341,040
Total Non-Current Liabilities:	9,366,007	24.8%	**5,753,786**	**17.6%**	(3,612,221)
Total Liabilities:	21,037,151	55.8%	**15,164,726**	**46.4%**	(5,872,424)
Minority Interests:					
Minority interests	23,417	0.0%	**-**	**-**	-
Shareholders' Equity:					
Paid-in capital	12,616,253	33.5%	**-**	**-**	-
Capital surplus	9,221,410	24.4%	**-**	**-**	-
Earned surplus	(3,780,116)	(10.0%)	**-**	**-**	-
Valuation difference on available-for-sale securities	210,174	0.6%	**-**	**-**	-
Treasury stock	(1,610,111)	(4.3%)	**-**	**-**	-
Total Shareholders' Equity:	16,657,611	44.2%	**-**	**-**	-
Total Liabilities, Minority Interests and Shareholders' Equity:	37,718,180	100.0%	**-**	**-**	-
Owners' Equity:					
Paid-in capital	-	-	**14,041,834**		-
Capital surplus	-	-	**6,291,287**		-
Earned surplus	-	-	**(1,363,195)**		-
Treasury stock	-	-	**(1,610,569)**		-
Total Owners' Equity:	-	-	**17,359,356**	**53.1%**	-
Valuation and Translation Adjustments:					
Valuation difference on available-for-sale securities	-	-	**159,576**		-
Total Valuation and Translation Adjustments:	-	-	**159,576**	**0.5%**	-
Minority Interests:					
Minority interests	-	-	**21,524**	**0.0%**	-
Total Net Assets:	-	-	**17,540,456**	**53.6%**	-
Total Liabilities and Net Assets:	-	-	**32,705,183**	**100.0%**	-

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	36,509,626	100.0%	**28,908,487**	**100.0%**	(7,601,139)
Cost of sales	20,048,118	54.9%	**16,229,396**	**56.1%**	(3,818,721)
Gross profit	16,461,508	45.1%	**12,679,090**	**43.9%**	(3,782,417)
Selling, general and administrative expenses	19,844,481	54.4%	**14,247,445**	**49.3%**	(5,597,036)
Operating income (loss)	(3,382,973)	(9.3%)	**(1,568,355)**	**(5.4%)**	-
Non-operating income:					
Interest income	8,607		**8,390**		
Dividend income	29,849		**29,801**		
Insurance commission income	9,537		**15,158**		
Rent revenue	172,252		**26,583**		
Other non-operating income	68,515		**35,097**		
Total non-operating income	288,764	0.8%	**115,031**	**0.4%**	(173,732)
Non-operating expenses					
Interest expenses	236,420		**191,877**		
Bond issue expenses	42,055		**-**		
Stock issue expenses	1,850		**-**		
Rental expenses	83,991		**2,277**		
Other non-operating expenses	20,826		**11,857**		
Total non-operating expenses	385,144	1.0%	**206,012**	**0.7%**	(179,132)
Recurring profit (loss)	(3,479,354)	(9.5%)	**(1,659,336)**	**(5.7%)**	-
Extraordinary income:					
Gain on sale of property, plant and equipment	373,331		**3**		
Insurance money received	952,759		**206,333**		
Gain on sale of investment securities	9,375		**3,390**		
Transfer from reserve for possible loan losses	234		**-**		
Transfer from reserve for bonuses	-		**188,165**		
Gain on insurance cancellation	-		**22,969**		
Total extraordinary income	1,335,700	3.7%	**420,862**	**1.4%**	(914,837)
Extraordinary losses:					
Loss on sale of property, plant and equipment	544,715		**6,001**		
Loss on disposal of property, plant and equipment	14,876		**86,911**		
Loss due to disaster	892,390		**205,958**		
Loss on cancellation of lease contract	9,206		**9,633**		
Loss on settlement of construction cost of Tomakomai Power Plant	225,372		**-**		
Loss on sales of investment securities	306		**-**		
Loss on valuation of investment securities	-		**7,432**		
Loss on valuation of membership rights	16,475		**5,666**		
Director's retirement allowance	-		**11,603**		
New provision for resource-recycling expenses	256,740		**96,379**		
Reorganization of offices expense	-		**121,671**		
Total extraordinary losses	1,960,082	5.4%	**551,257**	**1.9%**	(1,408,825)
Income(loss) before income taxes and minority interests	(4,103,736)	(11.2%)	**(1,789,730)**	**(6.2%)**	-
Corporate income, local and enterprise taxes	146,216		**103,287**		(42,928)
Adjustment on corporate tax, etc.	(6,888)		**35,805**		(42,693)
Minority interests in consolidated subsidiaries	9,570	0.0%	**1,747**	**0.0%**	(7,823)
Net income(loss)	(4,252,635)	(11.6%)	**(1,930,571)**	**(6.7%)**	-

3. Consolidated Statement of Retained Earnings

(Thousands of Yen)

	Fiscal Year from April 1 to March 31 FY2006
CAPITAL RESERVE	
I. Capital Reserve at Beginning of Period	**15,853,954**
II. Increase in Capital Reserve	
Issuance of new shares by exercise of equity warrants	**82,100**
III. Decrease in Capital Reserve	
Dividend	**397,148**
Reversal of profit from capital reserve reduction	**6,317,494**
IV. Capital Reserve at End of Period	**9,221,410**
RETAINED EARNINGS	
I. Retained Earnings at Beginning of Period	**(5,844,676)**
II. Increase in Retained Earnings	
Reversal of profit from capital reserve reduction	**6,317,494**
III. Decrease in Retained Earnings	
Dividend	**—**
Directors' bonus	**300**
Net loss	**4,252,635**
IV. Retained Earnings at End of Period	**(3,780,116)**

4. Consolidated Statement of Changes in Net Asset

Current 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

5. 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	(4,103,736)	**(1,789,730)**	
Depreciation and amortization	1,555,680	**1,388,412**	
Loss due to disaster	892,390	**205,958**	
Insurance commission income	(952,759)	**(206,333)**	
Loss on settlement of construction cost of Tomakomai Power Plant	225,372	**-**	
Allowance for retirement benefits	841	**(297,746)**	
Allowance for resource-recycling expenses	532,134	**(123,878)**	
Allowance for doubtful accounts	10,237	**20,286**	
Interest and dividend income	(38,457)	**(38,192)**	
Interest expense	236,420	**191,877**	
Stock issue expense	1,850	**-**	
Bond issue expense	42,055	**-**	
Commission expense paid	8,508	**11,692**	
Gain on sales of short-term investments in securities	(9,375)	**(3,390)**	
Loss on sales of short-term investments in securities	306	**-**	
Loss on valuation of short-term investments in securities	-	**7,342**	
Loss on valuation of membership rights	16,475	**1,100**	
Gain on sales of property, plant and equipment	(373,331)	**(3)**	
Loss on sales of proprety, plant and equipment	544,715	**6,001**	
Loss on disposal of property, plant and equipment	14,876	**86,911**	
Reorganization of offices expense	-	**121,671**	
Increase/decrease in notes and accounts receivable-trade	1,038,711	**311,759**	
Increase/decrease in inventories	1,589	**193,199**	
Increase/decrease in other current assets	88,032	**23,199**	
Increase/decrease in notes and accounts payable-trade	(294,788)	**49,025**	
Increase/decrease in consumption taxes payable	(435,588)	**3,289**	
Increase/decrease in other current liabilities	(470,600)	**(681,883)**	
Payment of bonuses to directors and auditors	(300)	**(7,050)**	
Minority shareholders' payment of bonuses to directors and auditors	-	**(3,250)**	
Other	33,897	**(67,047)**	
Net	(1,434,843)	**(596,688)**	838,154
Interest and dividend income received	39,379	**39,702**	
Interest expense paid	(232,248)	**(197,149)**	
Payment for damage repairing	(743,013)	**(155,094)**	
Proceeds from damage insurance	952,759	**41,635**	
Income taxes paid	(368,405)	**(149,075)**	
Income taxes refunded	9,887	**10,456**	
Net cash provided by operating activities:	(1,776,484)	**(1,006,214)**	770,270

(Thousands of Yen)

	Full Year		
	Between April 1 and March 31		
	FY2006	**FY2007**	Difference
Cash Flows from Investing Activities:			
Increase/decrease in time deposit	(40,586)	**-**	
Increase in limited withdrawal deposit	(3,000,000)	**-**	
Decrease in limited w ithdrawl deposit	1,000,000	**2,000,000**	
Proceeds from sales of securities	103,998	**23,579**	
Proceeds from refunds of securities	-	**5,448**	
Payment for purchases of securities	(79,924)	**-**	
Proceeds from sales of property, plant and equipment	4,400,000	**280**	
Payment for purchases of property, plant and equipment	(518,995)	**(869,014)**	
Proceeds from refunds of deposits and guaranty	(72,197)	**242,290**	
Payment for monetary deposits refunded	(194,635)	**-**	
Proceeds from insurance cancellation	-	**180,345**	
Other	764	**476**	
Net cash provided by investing activities:	1,598,423	**1,583,406**	(15,017)
Cash Flows from Financing Activities:			
Increase/decrease in short-term loans	(2,580,000)	**(450,000)**	
Proceeds from long-term debt from a director	-	**975,000**	
Proceeds from long-term loans from banks	1,020,000	**1,200,000**	
Repayment of long-term loans from banks	(2,772,036)	**(3,192,078)**	
Proceeds from issuance of stock	12,682	**-**	
Proceeds from issuance of corporate bond	3,607,944	**-**	
Payment for redemption of corporate bond	(265,000)	**(330,000)**	
Increase/decrease in treasury stock	(1,013)	**(458)**	
Dividends paid	(396,443)	**(1,087)**	
Other	(8,508)	**418,373**	
Net cash provided by financing activities:	(1,382,373)	**(1,380,250)**	2,123
Effect of exchange rate changes on cash and cash equivalents	0	**0**	0
Net increase/decrease in cash and cash equivalents	(1,560,434)	**(803,058)**	757,376
Cash and cash equivalents at beginning of the fiscal term	2,959,330	**1,398,895**	(1,560,434)

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

Fiscal Year ended March 31, 2007 (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 (i.e. in fiscal 2002 and two consecutive years ending March 31, 2006), 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.

7. 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

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.

(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 relevant long-term borrowing is TIBOR+1.1%;

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.

8. Changes in Accounting Method

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

(Current Fiscal Year ended March 31, 2007)

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 million yen.

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

(Current Fiscal Year ended March 31, 2007)

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)

(Current Fiscal Year ended March 31, 2007)

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.

9. 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	443,552	**414,495**
Machinery, equipment and vehicles	532,616	**464,953**
Land	1,311,067	**1,311,067**
Other tangible fixed assets	3,657	**4,128**
Total	2,290,893	**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	2,896,311	**3,138,489**
Land	10,743,310	**12,464,568**
Investment securities	647,368	**566,321**
Deposit at notice	1,700,000	**-**
Time deposit	300,000	**100,000**
Total	16,286,989	**16,269,379**

Secured liabilities (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Short-term loans	1,000,000	**1,800,000**
Lomg-term loans payable in 1 year	2,318,800	**1,834,400**
Long-term loans	3,583,700	**1,240,100**
Total	6,902,500	**4,874,500**

2. Number of shares issued (shares)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Number of shares of issued	41,224,736	**48,919,396**

3. Number of shares of treasury stock (Shares)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Number of shares of treasury stock	1,207,223	**1,208,663**

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.	307,357	**183,921**
Manufacture costs for the current year.	989	**798**
Total	308,347	**184,719**

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

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings and structures.	361,324	**-**
Machinery, equipment and vehicles.	12,006	**3**
Total gain on sale of property, plant and equipment.	373,331	**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**
Land.	544,679	**-**
Intangible fixed assets.	35	**6,001**
Total loss on sale of property, plant and equipment.	544,715	**6,001**

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.	2,163	**83,109**
Machinery, equipment and vehicles.	11,941	**626**
Other tangible fixed assets.	772	**3,176**
Total loss on disposal of property, plant and equipment.	14,876	**86,911**

5. Loss due to disaster

(Prior consolidated accounting period ended March 31, 2006)

Losses due to disaster are those related to fires that occurred in the Kitakyushu 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 prior accounting period.

(Current 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.

6. Loss on settlement of construction cost of Tomakomai Power Plant

(Prior consolidated accounting period ended March 31, 2006)

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

Notes to Consolidated Statement of Changes in Net Assets

Current 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.

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.	3,398,895	**595,837**
Time deposits exceeding 3 months.	(2,000,000)	**-**
Cash and cash equivalents	1,398,895	**595,837**

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.	75,156	**1,425,581**
Increase in capital surplus as a result of exercise of warrants.	74,843	**1,424,418**
Decrease in bonds with warrant as a result of exercise of warrants.	150,000	**2,850,000**

Segment Information

1. Segment Information by type of business

Prior consolidated fiscal year accounting period (From April 1, 2005 to March 31, 2006)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
1. Sales, operating income or loss*						
Sales:						
(1)Sales to customers	20,905,269	5,406,150	10,198,206	36,509,626	-	36,509,626
(2)Internal sales among segments						
and transfer accounts.	-	-	794	794	(794)	-
Total	20,905,269	5,406,150	10,199,001	36,510,421	(794)	36,509,626
Operating expenses	19,352,912	5,666,888	11,800,171	36,819,972	3,072,627	39,892,599
Operating income(loss)	1,552,357	(260,738)	(1,601,170)	(309,551)	(3,073,422)	(3,382,973)
2. Assets, depreciation expenses and capital expenditures						
Assets	4,407,964	1,607,114	21,405,000	27,420,079	10,298,100	37,718,180
Depreciation expenses	84,691	15,835	1,304,228	1,404,756	150,924	1,555,680
Capital expenditures.	65,196	397	385,791	451,385	88,940	540,325

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: ¥3,073,422 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: ¥10,298,100 thousand

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

Current 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.

2. Segment information by location

Previous fiscal year (April 1, 2005 to March 31, 2006)

The Company does not report segment information by location total sales and total assets in Japan were above 90% of total sales and assets of all segments.

Current 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.

3. Foreign sales

Previous fiscal year (April 1, 2005 to March 31, 2006)

The Company does not report foreign sales because foreign sales were less than 10% of consolidated sales in both the prior and current consolidated accounting periods.

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

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	1,000,816	**729,228**
Cumulative depreciation	654,576	**485,771**
Value at end of half year	346,240	**243,457**
	Others (Tool Function)	
Book Value	663,280	**470,558**
Cumulative depreciation	367,970	**254,931**
Value at end of half year	295,310	**215,626**
	Total	
Book Value	1,664,097	**1,199,787**
Cumulative depreciation	1,022,546	**740,703**
Value at end of half year	641,550	**459,084**
②Outstanding balance of future lease payments at the end of the period:		
Within one year	276,255	**191,570**
Over one year	399,179	**290,798**
Total	675,434	**482,369**
③Amount of lease fee payments, depreciation expense and interest expense:		
Lease fee payments	401,191	**311,132**
Depreciation expense	367,281	**278,787**
Interest expense	17,454	**16,532**

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	111,724	**96,752**
Over one year	175,443	**128,783**
Total	287,168	**225,536**

Notes to Tax Effect Accounting

(Thousands of Yen)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities	Full Year between April 1 and March 31	
	FY2006	**FY2007**
(Deferred tax assets)		
Business tax payable	12,992	**15,053**
Depreciation expenses exceeding the deductible limit	3,684,742	**3,264,291**
Long-term prepaid expenses exceeding the deductible limit	15,683	**-**
Allowance for doubtful accounts exceeding the deductible limit	48,423	**85,157**
Allowance for retirement benefits for employees exceeding the deductible limit	667,570	**551,331**
Provision for accrued bonuses exceeding the deductible limit	69,225	**311**
Membership valuation loss	38,750	**39,190**
Loss on valuation of short-term investments in securities	14,749	**17,722**
Loss carried forward	2,192,420	**4,425,761**
Non-deductible allowance for resource-recycling expenses	361,965	**312,414**
Others	747,725	**690,077**
Deferred tax assets subtotal	7,854,249	**9,401,309**
Valuation reserve	(7,816,232)	**(9,399,098)**
Total deferred tax assets	38,016	**2,211**
(Deferred tax liabilities)		
Difference between market price and acquisition cost of other securities	140,141	**106,412**
Total deferred tax liabilities	140,141	**106,412**
Net deferred tax assets	(102,124)	**104,200**

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 consolidated fiscal year ended March 31, 2006)

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

(Current consolidated fiscal year ended March 31, 2007)

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

Notes to Short-Term Investments

1. Full Year ended March 31, 2006

(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, 2006		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	301,701	648,641	346,939
Bonds	—	—	—
Other	25,188	28,565	3,376
Sub-total	326,890	677,206	350,316

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

	Full Year As of March 31, 2006		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	—	—	—
Bonds	—	—	—
Other	—	—	—
Sub-total	—	—	—
Total	326,890	677,206	350,316

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

	Full Year As of March 31, 2006
Total sales of other marketable securities	103,998
Total gain on sales of other marketable securities	9,375
Total loss on sales of other marketable securities	306

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

	Full Year As of March 31, 2006
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks (exluding OTC stocks)	634,147
Total	634,147

2. Full year ended 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	23,641	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	28,996
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
Total	626,715

Derivative Transactions

Prior consolidated fiscal year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

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 consolidated fiscal year ended March 31, 2007 (From 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.

Notes to Retirement Benefit

1. The funded status of the Companies at March 31, 2006 and 2007 are summarized as follows:

	Thousands of Yen	
	FY2006	**FY2007**
Projected benefit obligation	2,877,295	**2,391,242**
Plan assets at fair value	(1,324,085)	**(1,251,708)**
Unrecognized net loss	123,893	**239,822**
Retirement allowance	1,677,102	**1,379,356**

2. Severance and pension costs of the Companies included the following components for the years ended March 31, 2006 and 2007 areas follows:

	Thousands of yen	
	FY2006	**FY2007**
Service cost	294,294	**277,975**
Interest cost	41,659	**42,877**
Expected return on plan assets	(16,315)	**(19,861)**
Anortization of actuarial gains/losses	28,744	**(123,893)**
Severance and pension cost	348,383	**177,098**

3. Assumption used in the calculation for the defined benefits plan for the years ended March 31, 2006 and 2007 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

(Prior consolidated accounting period ended March 31, 2006)

At the Board of Directors Meeting on April 26, 2006, the Company allocated the stock acquisition rights for the purpose of granting stock options. The proposal was made at its 27th ordinary general meeting of shareholders on June 29, 2005.

4. Net Sales by Division

(Thousands of Yen)

	Full Year from April 1 to March 31		Changes
	FY2006	**FY2007**	
Termite Eradication Service	8,842,095	**7,083,362**	(1,758,733)
Under-Roof/Floor Ventilation System	6,447,083	**4,352,044**	(2,095,038)
Home Reinforcement System	2,363,629	**886,029**	(1,477,600)
Other	3,252,461	**2,883,785**	(368,675)
Home Sanitation Division Total:	20,905,269	**15,205,222**	(5,700,047)
Water activator installation	1,731,055	**1,023,934**	(707,121)
Repair of building water-works	1,591,745	**1,330,647**	(261,097)
Waterproofing of building	910,746	**667,485**	(243,260)
Other	1,172,602	**1,068,873**	(103,729)
Establishment Sanitation Division Total:	5,406,150	**4,090,941**	(1,315,208)
Industrial Waste (Waste plastic processing)	5,309,801	**4,720,381**	(589,419)
Industrial waste (Organic Waste Water Recycle)	1,810,730	**1,863,796**	53,065
Generation of electricity	1,002,314	**1,138,746**	136,431
Industrial waste (Incineration)	1,005,792	**1,302,476**	296,684
Other	1,069,567	**586,921**	(482,645)
Environmental Resources Development Division Total:	10,198,206	**9,612,323**	(585,883)
Total Net Sales:	36,509,626	**28,908,487**	(7,601,139)