

Ticker: 4651



**Consolidated Financial Statements**  
For the Year ended March 31, 2007

**SANIX INCORPORATED**

May 17, 2007

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

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# SANIX

## SANIX INCORPORATED

### Summary of March 2007

### Summary of March 2007

|            |        |   |
|------------|--------|---|
| FY<br>2006 | 2<br>Q | <b>Administrative punishment in the HS Division</b><br>According to the Specific Commercial Transactions Law, Sanix was imposed administrative punishments included the suspension of the operation of six sales offices of the HS Division for 3 months from July 8, 2006. |
|            |        | <b>Sales revenues declined in the HS and the ES Divisions</b><br>Consolidated profit decreased due to a significant sales decline in the HS Division.   |
|            |        | <b>Developed and announced the "Business Streamlining Plan"</b><br>According to the Plan, closing and consolidation of certain sales offices, personnel reduction, salary reduction and other cost reduction measures were implemented to lower the break-even point.       |
|            | 3<br>Q | <b>Focused on promotion of cost reduction and sales recovery</b><br>Major part of a series of reforms has almost completed. As a result, sales in the HS Division are recovering gradually.   |
|            |        | <b>The fire occurred at Sanix Energy Tomakomai Power Plant</b>  |
|            | 4<br>Q | <b>Profit was recorded in 4th Quarter, supported by cost reductions</b><br>A fire at the power plant had negative impact temporarily. However, distinctive improvement in profitanility was achieved in each division through cost reduction effort.                        |

## FY2006: Statement of Income

(Millions of Yen)

|                  | FY2005  |            | FY2006  |            |             |           |            |
|------------------|---------|------------|---------|------------|-------------|-----------|------------|
|                  | Actual  | % to Sales | Actual  | % to Sales | % of Change | 2/14 Plan | Difference |
| Net Sales        | 36,509  | 100.0%     | 28,908  | 100.0%     | -20.8%      | 29,250    | (341)      |
| (H S)            | 20,905  | 57.3%      | 15,205  | 52.6%      | -27.3%      | 15,167    | 37         |
| (E S)            | 5,406   | 14.8%      | 4,090   | 14.1%      | -24.3%      | 4,114     | (23)       |
| (ERD)            | 10,198  | 27.9%      | 9,612   | 33.3%      | -5.7%       | 9,968     | (355)      |
| Cost of Sales    | 20,048  | 54.9%      | 16,229  | 56.1%      | -19.0%      | 16,413    | (184)      |
| Gross Profit     | 16,461  | 45.1%      | 12,679  | 43.9%      | -23.0%      | 12,836    | (157)      |
| SGA              | 19,844  | 54.4%      | 14,247  | 49.3%      | -28.2%      | 14,522    | (275)      |
| Operating Profit | (3,382) | -9.3%      | (1,568) | -5.4%      | -           | (1,686)   | 117        |
| Recurring Profit | (3,479) | -9.5%      | (1,659) | -5.7%      | -           | (1,794)   | 135        |
| Net Income       | (4,252) | -11.6%     | (1,930) | -6.7%      | -           | (2,014)   | 83         |

Sales decreased in all of the three division. Sales by the entire Group decreased 20.8% from the previous year to 28,908 million yen. Operating loss improved 1,814 million yen compared with the previous year to 1,659 million yen. Loss sharply decreased from the previous year by the effect of the Business Streamlining Plan. Sales results were lower than the plan announced on February 14 by 341 million yen due to the negative impact of the fire at the Tomakomai Power Plant. However, Recurring profit was higher than planned by 135 million yen supported by cost reductions.

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## FY2006: Quarterly - Statement of Income

(Millions of Yen)

|                  | 1st Quarter |             | 2nd Quarter |             | 3rd Quarter |             | 4th Quarter |             |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                  | Actual      | % of Change | Actual      | % of Change | Actual      | % of Change | Actual      | % of Change |
| Net Sales        | 8,966       | -22.9%      | 6,565       | -26.4%      | 6,817       | -18.3%      | 6,558       | -13.9%      |
| (H S)            | 5,251       | -30.3%      | 3,223       | -35.7%      | 3,252       | -26.4%      | 3,477       | -11.7%      |
| (E S)            | 1,226       | -18.8%      | 985         | -28.2%      | 941         | -25.5%      | 936         | -25.6%      |
| (ERD)            | 2,489       | -3.7%       | 2,355       | -7.0%       | 2,623       | -1.3%       | 2,144       | -11.5%      |
| Cost of Sales    | 4,515       | -19.7%      | 4,185       | -18.6%      | 3,794       | -21.8%      | 3,734       | -15.8%      |
| Gross Profit     | 4,451       | -25.9%      | 2,380       | -37.0%      | 3,023       | -13.5%      | 2,823       | -11.3%      |
| SGA              | 4,566       | -18.5%      | 3,739       | -25.3%      | 3,156       | -33.2%      | 2,785       | -38.3%      |
| Operating Profit | (114)       | -           | (1,358)     | -           | (132)       | -           | 37          | -           |
| Recurring Profit | (137)       | -           | (1,382)     | -           | (164)       | -           | 25          | -           |
| Net Income       | 11          | -           | (1,590)     | -           | (284)       | -           | (66)        | -           |

SGA and other costs gradually decreased in the second half of the year by the implementation of the Business Streamlining Plan. Especially in the fourth quarter, ordinary profit was recorded compared with ordinary loss in the same period previous year. Cost reductions achieved in various aspects of the operations more than offset the sales decreases in the HS and the ES Divisions and temporary adverse effect of the fire at the Tomakomai Power Plant of the ERD Division.

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## FY2006: Quarterly - Segment Information

(Millions of Yen)

|                                     |                  | FY2006      |                       |             |                       |             |                       |             |                       |         |                       |
|-------------------------------------|------------------|-------------|-----------------------|-------------|-----------------------|-------------|-----------------------|-------------|-----------------------|---------|-----------------------|
|                                     |                  | 1st Quarter |                       | 2nd Quarter |                       | 3rd Quarter |                       | 4th Quarter |                       | Annual  |                       |
|                                     |                  | Actual      | Increase/<br>Decrease | Actual      | Increase/<br>Decrease | Actual      | Increase/<br>Decrease | Actual      | Increase/<br>Decrease | Actual  | Increase/<br>Decrease |
| HS                                  | Net Sales        | 5,251       | (2,283)               | 3,223       | (1,788)               | 3,252       | (1,169)               | 3,477       | (458)                 | 15,205  | (5,700)               |
|                                     | Gross Profit     | 3,722       | (1,672)               | 2,082       | (1,175)               | 2,232       | (666)                 | 2,371       | (235)                 | 10,409  | (3,749)               |
|                                     | SGA              | 2,827       | (876)                 | 2,163       | (1,029)               | 1,833       | (1,135)               | 1,591       | (1,148)               | 8,416   | (4,189)               |
|                                     | Operating Profit | 894         | (795)                 | (80)        | (146)                 | 399         | 469                   | 780         | 912                   | 1,993   | 440                   |
| ES                                  | Net Sales        | 1,226       | (283)                 | 985         | (387)                 | 941         | (322)                 | 936         | (321)                 | 4,090   | (1,315)               |
|                                     | Gross Profit     | 545         | (142)                 | 399         | (164)                 | 374         | (133)                 | 384         | (132)                 | 1,704   | (572)                 |
|                                     | SGA              | 588         | (91)                  | 531         | (80)                  | 420         | (210)                 | 375         | (240)                 | 1,914   | (622)                 |
|                                     | Operating Profit | (42)        | (51)                  | (131)       | (83)                  | (45)        | 76                    | 8           | 108                   | (210)   | 50                    |
| ERD                                 | Net Sales        | 2,489       | (94)                  | 2,355       | (178)                 | 2,623       | (34)                  | 2,144       | (277)                 | 9,612   | (585)                 |
|                                     | Gross Profit     | 183         | 260                   | (101)       | (56)                  | 416         | 327                   | 67          | 7                     | 565     | 539                   |
|                                     | SGA              | 406         | (5)                   | 388         | (43)                  | 363         | (27)                  | 321         | (70)                  | 1,480   | (147)                 |
|                                     | Operating Profit | (223)       | 266                   | (490)       | (12)                  | 52          | 354                   | (253)       | 77                    | (915)   | 686                   |
| Elimination<br>and/or<br>Corporated | Operating Profit | (743)       | 61                    | (655)       | 113                   | (539)       | 192                   | (497)       | 270                   | (2,435) | 637                   |



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## FY2006: Summary of Each Segment

### HS Division

Sales revenues decreased significantly due to the impact of the administrative punishment.  
(Sales revenues decreased 5,400 million yen from the previous year)  
Profitability improved in the second half, due to the cost reduction.  
(Operating profit increased 440 million yen from the previous year)

### ES Division

Sales revenues from "Water Activator Installation" business, targeted at new customer, decreased significantly. (Sales revenues decreased 1,315 million yen from the previous year)  
Profitability improved in the second half, due to the cost reduction.  
(Improved 50 million yen from the previous year)

### ERD Division

Sales revenues decreased due to selective purchase of waste plastic with high quality, and a fire at the Tomakomai Power Plant.  
(Sales revenues decreased 585 million yen from the previous year)  
Although there was adverse effect of the fire at the Tomakomai Power Plant, profitability improved because stable operation was achieved in the first three quarters of the current year and cost reductions was achieved through the implementation of Business Streamlining Plan.  
(Improved 50 million yen from the previous year)



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### Promotion of Compliance after the Administrative Punishment

#### Promotion of Compliance

|   |   |
|---|---|
| <b>Employee Education</b>                             | <p>Weekly study meetings are held to study the Specific Commercial Transaction Law. All HS personnel participate in the meetings.</p> <p>Sales reps compliance training is provided based on the “Home-call Sales Representatives Education and Registration System” established by a third party organization.</p> <p>Compliance educating activities are extended, including creating compliance pages on the Company’s intranet.</p>   |
| <b>Implementing Stricter Self-Imposed Sales Rules</b> | <p>Stricter rules are adopted for transactions with aged persons. For example, when entering into a contract with an aged consumer, the sales rep must request attendance of a relative of the consumer or a third party having ability to judge and must obtain consent of such attendee.</p> <p>To give a customer a sufficient time to understand the terms and conditions of the contract, a longer waiting period is set from the contract date to the actual work start date.</p> <p>Self-Imposed Codes of Conduct that establish internal rules stricter than those set force in the Specific Commercial Transactions Law and other laws and regulations applicable to the Company’s businesses are further revised and strengthened and must be observed strictly by all employees.</p> |
| <b>Stricter Management System</b>                     | <p>The Compliance Department was established to ensure business operations in compliance with laws and regulations. Establishing a self-cleansing system by placing emphasis on risk prevention and reinforcement of internal control functions.</p> <p>A council with consumer credit companies was established and monthly meetings are conducted.</p>  |

**Customer Satisfaction Improvement  
& Recovery of Consumers’ Confidence**





## SANIX INCORPORATED

### Results of "Business Streamlining Plan"

### Results of "Business Streamlining Plan"

#### Consolidation of Offices (Plan)

##### HS Division

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

##### ES Division

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

##### Indirect Section

Relocation of 3 regional headquarters  
Closing of 1 training center and 4 dormitories

#### Personnel Reduction (Plan)

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

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

#### Wage Reduction (Plan)

Pay cut from August to March 2007

#### Consolidation of Offices (Progress)

##### HS Division

108 stores    **71 Stores** (at the end of March 2007)

##### ES Division

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

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

##### Indirect Section

Carried out as planned

#### Personnel Reduction (Progress)

2,803    2,269    1,953    **1,753**  
(June)    (September)    (December)    (March)

Reduced 1,050 employees by the end of March

#### Wage Reduction (Progress)

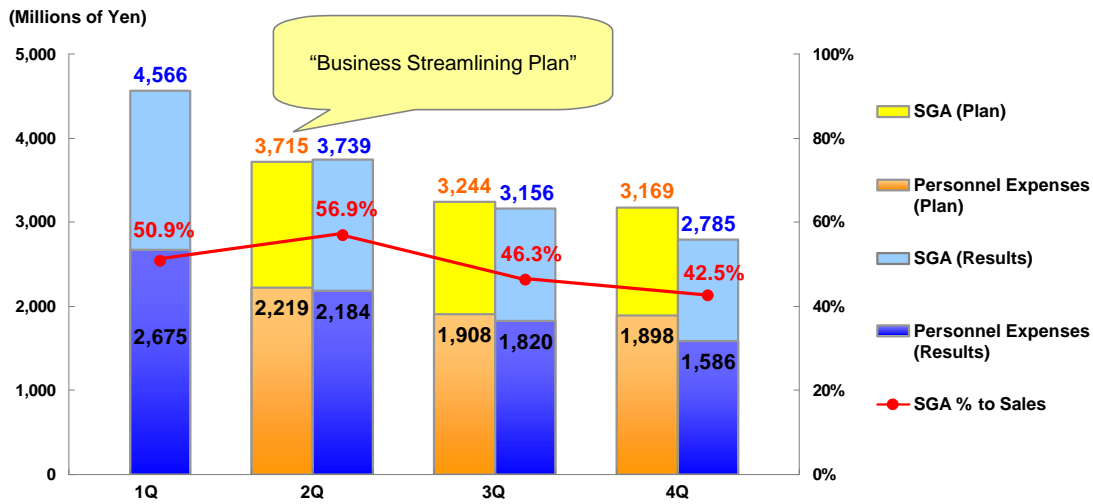
Carrying out as planned

Carried out each plan as planned



# The Progress of Cost Reduction : SG&A

SG&A: Quarterly Plan and Results, FY2006

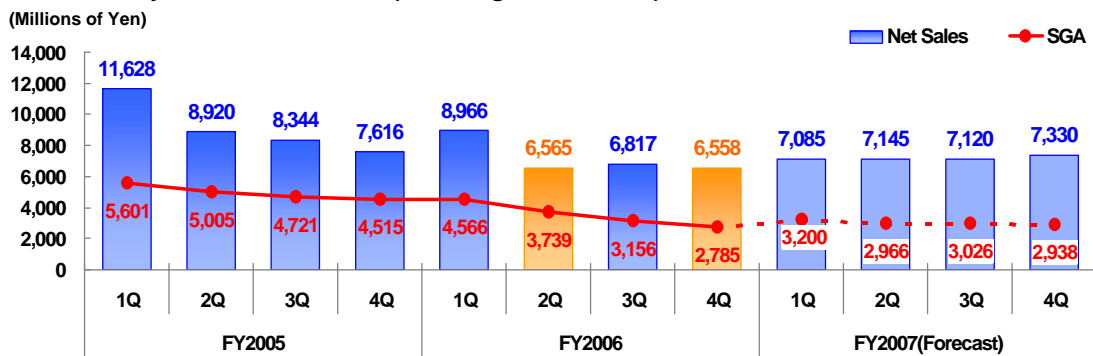


SG&A reduced more than the Plan, due to the Business Streamlining Plan.



# Improvement of the Profitability

Quarterly Net Sales and SG&A (Including the Forecast)



< Reference: Quarterly Operating Profit >

(Millions of Yen)

| FY2005 |         |         |         | FY2006 |         |       |    | FY2007(Forecast) |     |     |     |
|--------|---------|---------|---------|--------|---------|-------|----|------------------|-----|-----|-----|
| 1Q     | 2Q      | 3Q      | 4Q      | 1Q     | 2Q      | 3Q    | 4Q | 1Q               | 2Q  | 3Q  | 4Q  |
| 404    | (1,228) | (1,226) | (1,331) | (114)  | (1,358) | (132) | 37 | 50               | 110 | 255 | 585 |

In the 4th quarter, the profitability of operations improved more clearly, due to the decrease of selling, general and administrative expenses (SG&A) by 953 million yen, achieved by business streamlining efforts, while sales revenues remain almost the same as in the 2nd quarter. As a result, operating profit improved by about 1.4 billion yen compared with the 2nd quarter. The ratio of SG&A to sales for the year ending March 31, 2008 is forecast at around 42%, based on the results achieved in the fourth quarter.

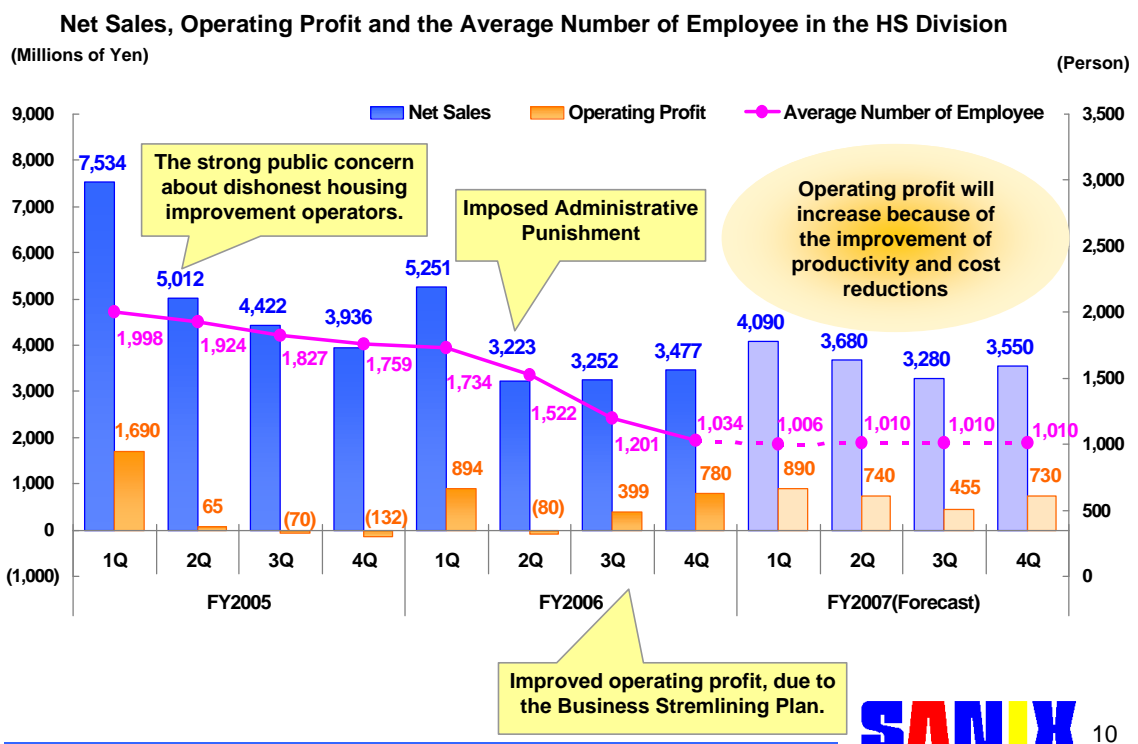


# SANIX

## SANIX INCORPORATED

### Summary of the HS Division

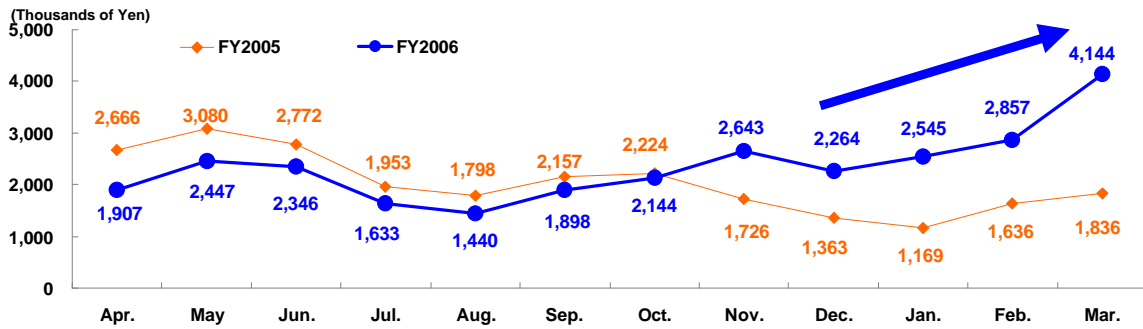
#### HS Division: Net Sales, Operating Profit, and the Number of Employee





# HS Division: Sales Productivity

Monthly Sales Revenues per Sales Representative



<Reference: The Number of Sales Representative>

|        | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
|--------|------|-----|------|------|------|------|------|------|------|------|------|------|
| FY2005 | 867  | 866 | 922  | 878  | 854  | 817  | 788  | 854  | 877  | 875  | 855  | 825  |
| FY2006 | 781  | 784 | 786  | 759  | 685  | 526  | 517  | 449  | 423  | 388  | 361  | 352  |

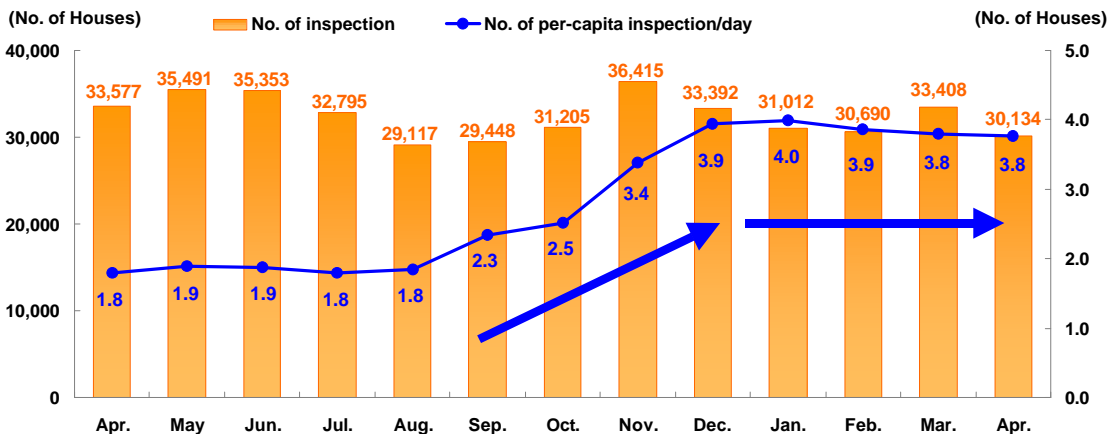
## Operating efficiency

The number of sales representatives decreased sharply as a result of the personnel reduction implemented as part of the business streamlining plan. Sales revenue per sales rep has been recovering since the third quarter, after hitting bottom in August immediately after the administrative punishments. In March 2007, particularly, sales revenues increased by about 70% compared with May, the busy season for the Company's businesses before the punishments. This was a sharp improvement.



# HS Division: Sales Efficiency

The Number of Per-capita Inspection per Day



## Sales efficiency in and after the 3rd Quarter

In November 2006, the Company changed its marketing policy to place emphasis on customer management. As a result of this change, property inspections per sales rep per day increased, stabilizing at 3.8 to 4.0 inspections per capita in the fourth quarter. Now we have an organization capable of efficient marketing activities.



# SANIX

## SANIX INCORPORATED

### Forecast for Consolidated March 2008

#### FY2007 : Business Policies

##### HS Division

##### Strict compliance for improving marketing quality

Compliance training is being continued, mainly for sales reps, to improve employee quality and ability to satisfy customer needs. We are now practicing the communication-oriented sales approach. We contact more customers more frequently (to increase the number of inspections), with the aim of further improving customer satisfaction and recover consumers' confidence in the Company. We believe that this approach will lead to the referral of new prospective customers.

##### Business Goals

- Operating profit: 1 billion yen
- Return to profitable operation
- Resume dividend payment as early as practicable

##### ES Division

##### Cost reductions to return to profitable operation

Cost reductions will be pursued while we also promote sales productivity improvement.  
Shift to marketing focused on companies, mainly in the Kanto area.  
Fine-tuned product proposals especially developed for each property.

##### ERD Division

##### Ensuring profit through safe and stable operation

By improving the quality of waste plastic fuel,  
Stable power plant operation and chemical and other costs reduction, and  
Sales of waste plastic fuel as an alternative fuel will be expanded to customers outside the Group, in terms of both customer numbers and sales volume.

## Forecast for FY2007 : Statement of Income

(Millions of Yen)

|                  | FY2006  |            |             |                    | FY2007   |            |             |                    |
|------------------|---------|------------|-------------|--------------------|----------|------------|-------------|--------------------|
|                  | Actual  | % to Sales | % of Change | Increase/ Decrease | Forecast | % to Sales | % of Change | Increase/ Decrease |
| Net Sales        | 28,908  | 100.0%     | -20.8%      | (7,601)            | 28,680   | 100.0%     | -0.8%       | (228)              |
| (H S)            | 15,205  | 52.6%      | -27.3%      | (5,700)            | 14,600   | 50.9%      | -4.0%       | (605)              |
| (E S)            | 4,090   | 14.1%      | -24.3%      | (1,315)            | 4,000    | 13.9%      | -2.2%       | (90)               |
| (ERD)            | 9,612   | 33.3%      | -5.7%       | (585)              | 10,080   | 35.2%      | 4.9%        | 467                |
| Cost of Sales    | 16,229  | 56.1%      | -19.0%      | (3,818)            | 15,550   | 54.2%      | -4.2%       | (679)              |
| Gross Profit     | 12,679  | 43.9%      | -23.0%      | (3,782)            | 13,130   | 45.8%      | 3.6%        | 450                |
| SGA              | 14,247  | 49.3%      | -28.2%      | (5,597)            | 12,130   | 42.3%      | -14.9%      | (2,117)            |
| Operating Profit | (1,568) | -5.4%      | -           | 1,814              | 1,000    | 3.5%       | -           | 2,568              |
| Recurring Profit | (1,659) | -5.7%      | -           | 1,820              | 900      | 3.1%       | -           | 2,559              |
| Net Income       | (1,930) | -6.7%      | -           | 2,322              | 660      | 2.3%       | -           | 2,590              |

**Sales revenues :** Annual sales of 28,680 million yen are expected, remaining at the same level as fiscal 2006.

**Cost of sales :** The sales cost ratio is expected to improve as the result of a rebound from fiscal 2006 (during which some operations were shut down temporarily because of the fires) and reduction of labor and other costs.

**SGA :** The ratio of SGA expenses to sales is expected to improve by 7 points due to reduction of labor and other costs to be realized as part of the business streamlining plan.

**Operating profit :** As a result of the lower sales cost ratio and the lower ratio of SGA expected to be achieved, the operating profit ratio will improve and net operating profit will be recorded



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## Forecast for FY2007 : Quarterly - Statement of Income

(Millions of Yen)

|                  | 1st Quarter |             | 2nd Quarter |             | 3rd Quarter |             | 4th Quarter |             |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                  | Plan        | % of Change | Plan        | % of Change | Plan        | % of Change | Plan        | % of Change |
| Net Sales        | 7,085       | -21.0%      | 7,145       | 8.8%        | 7,120       | 4.4%        | 7,330       | 11.8%       |
| (H S)            | 4,090       | -22.1%      | 3,680       | 14.1%       | 3,280       | 0.8%        | 3,550       | 2.1%        |
| (E S)            | 950         | -22.5%      | 1,040       | 5.5%        | 1,020       | 8.3%        | 990         | 5.7%        |
| (ERD)            | 2,045       | -17.9%      | 2,425       | 2.9%        | 2,820       | 7.5%        | 2,790       | 30.1%       |
| Cost of Sales    | 3,835       | -15.1%      | 4,069       | -2.8%       | 3,839       | 1.2%        | 3,807       | 1.9%        |
| Gross Profit     | 3,250       | -27.0%      | 3,076       | 29.2%       | 3,281       | 8.5%        | 3,523       | 24.8%       |
| SGA              | 3,200       | -29.9%      | 2,966       | -20.7%      | 3,026       | -4.1%       | 2,938       | 5.5%        |
| Operating Profit | 50          | -           | 110         | -           | 255         | -           | 585         | -           |
| Recurring Profit | 26          | -           | 73          | -           | 235         | -           | 564         | -           |
| Net Income       | (78)        | -           | 18          | -           | 194         | -           | 525         | -           |

In the first half of fiscal 2007, the ERD Division plans to conduct regular maintenance and repair of the Kita-Kyushu Plant and the Tomakomai Power Plant. In addition, in the HS Division and the ES Division, sales revenues are forecast to decrease, based on sales results for the second half of fiscal 2006. Accordingly, net profit for the first half of fiscal 2007 is expected to be 160 million yen. However, because stable operation of ERD Division plants is expected after regular maintenance and repair, operating profit for the full year is expected to reach 1 billion yen.



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## Forecast for FY2007 : Segment Information

(Millions of Yen)

|                                     |                  | FY2007      |                       |             |                       |             |                       |             |                       |         |                       |
|-------------------------------------|------------------|-------------|-----------------------|-------------|-----------------------|-------------|-----------------------|-------------|-----------------------|---------|-----------------------|
|                                     |                  | 1st Quarter |                       | 2nd Quarter |                       | 3rd Quarter |                       | 4th Quarter |                       | Annual  |                       |
|                                     |                  | Plan        | Increase/<br>Decrease | Plan        | Increase/<br>Decrease | Plan        | Increase/<br>Decrease | Plan        | Increase/<br>Decrease | Plan    | Increase/<br>Decrease |
| HS                                  | Net Sales        | 4,090       | (1,161)               | 3,680       | 456                   | 3,280       | 27                    | 3,550       | 72                    | 14,600  | (605)                 |
|                                     | Gross Profit     | 2,770       | (952)                 | 2,510       | 427                   | 2,180       | (52)                  | 2,410       | 38                    | 9,870   | (539)                 |
|                                     | SGA              | 1,880       | (947)                 | 1,770       | (393)                 | 1,725       | (108)                 | 1,680       | 88                    | 7,055   | (1,361)               |
|                                     | Operating Profit | 890         | (4)                   | 740         | 820                   | 455         | 55                    | 730         | (50)                  | 2,815   | 821                   |
| ES                                  | Net Sales        | 950         | (276)                 | 1,040       | 54                    | 1,020       | 78                    | 990         | 53                    | 4,000   | (90)                  |
|                                     | Gross Profit     | 390         | (155)                 | 410         | 10                    | 400         | 25                    | 380         | (4)                   | 1,580   | (124)                 |
|                                     | SGA              | 422         | (166)                 | 370         | (161)                 | 380         | (40)                  | 360         | (15)                  | 1,532   | (382)                 |
|                                     | Operating Profit | (32)        | 10                    | 40          | 171                   | 20          | 65                    | 20          | 11                    | 48      | 258                   |
| ERD                                 | Net Sales        | 2,045       | (444)                 | 2,425       | 69                    | 2,820       | 196                   | 2,790       | 645                   | 10,080  | 467                   |
|                                     | Gross Profit     | 90          | (93)                  | 156         | 257                   | 701         | 284                   | 733         | 665                   | 1,680   | 1,114                 |
|                                     | SGA              | 328         | (78)                  | 326         | (62)                  | 331         | (32)                  | 345         | 23                    | 1,330   | (150)                 |
|                                     | Operating Profit | (238)       | (14)                  | (170)       | 320                   | 370         | 317                   | 388         | 641                   | 350     | 1,265                 |
| Elimination<br>and/or<br>Corporated | Operating Profit | (570)       | 173                   | (500)       | 155                   | (590)       | (50)                  | (553)       | (55)                  | (2,213) | 222                   |