

Ticker: 4651



Consolidated Financial Statements
For the First Quarter ended June 30, 2007

SANIX INCORPORATED

August 9, 2007

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

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Summary of March 2008, 1st Quarter

Summary of March 2008, 1st Quarter

1st Quarter (From April 2007 to June 2007)

Net Sales: 6,845 Million Yen (Down 23.7% compared to the same period last year)

Recurring Profit: 300 Million Yen (Up 438 million yen compared to the same period last year)

Although the HS Division's Sales were over the projection, total net sales were 3.4% below the projection, mainly due to the impact of the Tomakomai Power Plant fire.

In terms of profitability, the Group registered a recurring profit of 300 million yen, up 444 million yen from the same period last year, thanks to efforts made to cut personnel and other fixed costs.

The HS Division's sales gradually recovered

In the HS Division, the quarter under review saw a mild recovery as the sluggish performance that had continued since the second quarter of the previous year finally bottomed out. Net sales were 4.6% above the projection. In terms of profitability, the operating income was 1,201 million yen, up 35.0% from the projection.

Sanix Energy restarts operations at Tomakomai Power Plant

The fire that broke out in the Tomakomai Power Plant in the last 4th quarter, had a temporary adverse impact on the ERD Division's performance. The affected facility resumed operation on June 12, 2007, after restructuring fire prevention system and safety measures under instruction by concerned authorities so as to prevent recurrence.

1st Quarter: Statement of Income

(Millions of Yen)

	FY2007		FY2008				
	1st Quarter		1st Quarter				
	Actual	% to Sales	Actual	% to Sales	% of Change	Plan	Difference
Net Sales	8,966	100.0%	6,845	100.0%	-23.7%	7,085	(239)
(H S)	5,251	58.5%	4,277	62.5%	-18.5%	4,090	187
(E S)	1,226	13.7%	860	12.6%	-29.8%	950	(89)
(ERD)	2,489	27.8%	1,707	24.9%	-31.4%	2,045	(337)
Cost of Sales	4,515	50.4%	3,628	53.0%	-19.6%	3,835	(206)
Gross Profit	4,451	49.6%	3,217	47.0%	-27.7%	3,250	(32)
SGA	4,566	50.9%	2,887	42.2%	-36.8%	3,200	(312)
Operating Profit	(114)	-1.3%	330	4.8%	• \	50	280
Recurring Profit	(137)	-1.5%	300	4.4%	• \	26	274
Net Income	11	0.1%	152	2.2%	• \	(78)	230

With decreased revenues in all of the Divisions, total sales dropped to 6,845 million yen (down 23.7% from the same period last year). In terms of profitability, the streamlining program brought about cost reduction: the ratio of selling, general and administrative costs to sales decreased by 8.7 points. Thanks to this and other positive effects, the Group registered a recurring profit of 300 million yen, up 444 million yen from the same period last year. Sales were 239 million yen below the projection, mainly due to the impact of the Tomakomai Power Plant fire. Nevertheless, the cost reduction improved profitability, bringing the recurring profit to 274 million yen, above the projection.

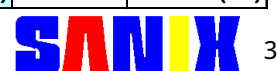


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1st Quarter: Net Sales Results by Product

(Millions of Yen)

		FY2007	FY2008			
		1Q	1st Quarter			
		Actual	Actual	% of Change	Plan	Difference
HS	Termite Control Preventative	2,557	1,476	(1,081)	1,520	(43)
	Under-Floor/-Roof Ventilation System	1,512	629	(882)	700	(70)
	House Reinforcement System	350	103	(247)	140	(36)
	Foundation Repairing Treatment	• \	1,682	1,682	1,330	352
	Others	830	386	(444)	400	(13)
ES	Anti-rust Equipment Installation	371	232	(138)	270	(37)
	Repair of Building Water-works	348	243	(105)	270	(26)
	Waterproofing of Building	205	122	(82)	135	(12)
	Others	301	262	(38)	275	(12)
ERD	Plastic Recycled	1,216	993	(222)	1,165	(171)
	Organic Waste Water Recycled	569	454	(115)	500	(45)
	Power Generation	401	7	(394)	90	(82)
	Incineration	301	252	(49)	290	(37)



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1st Quarter: Segment Information

(Millions of Yen)

		FY2007		FY2008					
		1st Quarter		1st Quarter					
		Actual	% to Sales	Actual	% to Sales	Increase/Decrease	Plan	% to Sales	Difference
HS	Net Sales	5,251	100.0%	4,277	100.0%	(973)	4,090	100.0%	187
	Gross Profit	3,722	70.9%	2,859	66.8%	(863)	2,770	67.7%	89
	SGA	2,827	53.9%	1,657	38.7%	(1,170)	1,880	46.0%	(222)
	Operating Profit	894	17.0%	1,201	28.1%	307	890	21.8%	311
ES	Net Sales	1,226	100.0%	860	100.0%	(365)	950	100.0%	(89)
	Gross Profit	545	44.5%	334	38.9%	(210)	390	41.1%	(55)
	SGA	588	48.0%	378	44.0%	(209)	422	44.4%	(43)
	Operating Profit	(42)	-3.5%	(43)	-5.1%	0	(32)	-3.4%	(11)
ERD	Net Sales	2,489	100.0%	1,707	100.0%	(782)	2,045	100.0%	(337)
	Gross Profit	183	7.4%	23	1.4%	(160)	90	4.4%	(66)
	SGA	406	16.3%	294	17.2%	(112)	328	16.0%	(33)
	Operating Profit	(223)	-9.0%	(270)	-15.9%	(47)	(238)	-11.6%	(32)
Elimination and/or Corporated	Operating Profit	(743)	-	(557)	-	186	(570)	-	12



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1st Quarter: Summary of Each Segment

HS Division

The new product "SANIX Foundation Repairing Treatment" showed a steady sales growth, with sales 352 million yen higher than expected, bringing the Division's revenues to 187 million yen above the projection. The foundation repairing business is expected to continue delivering steady sales performance in the future. It has only been a short time since the launching of the foundation repairing treatment; material loss occurred at the time of execution of repair work. For this and other reasons, the material costs-to-sales ratio was up 1.5 points from the projection, contributing to a rise in cost of goods sold. The material costs-to-sales ratio is expected to decrease in the future, due to improved construction efficiency and technical capability associated with increase in sales volume.

ES Division

Asignificant revenue decrease was seen in the anti-rust equipment installation business, essentially targeted at new customers. The Division's operating income was 11 million yen below the projection, mainly due to less-than-expected sales. The plan is to focus the Division's efforts on cultivating new customers in the Kanto region, where large facilities are concentrated, so as to recover sales as soon as possible.

ERD Division

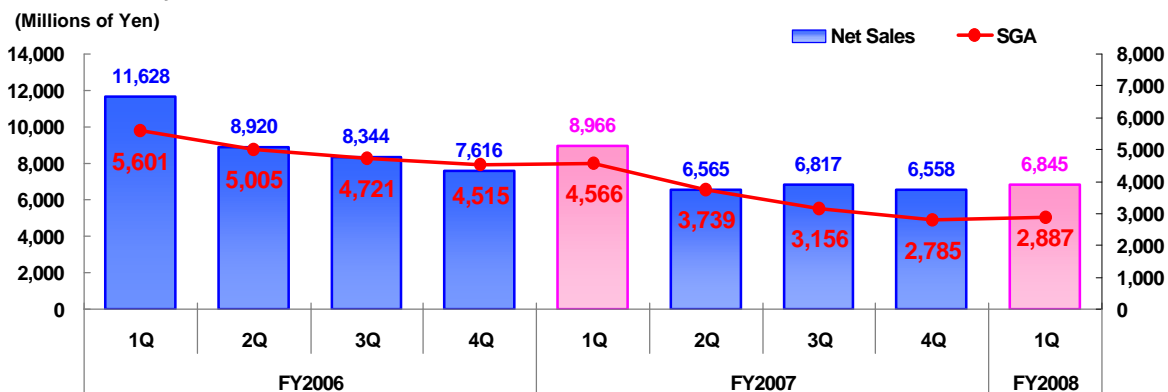
Power sales were 82 million yen below the projection, due to subsequent operation suspension up to mid-June to improve anti-disaster facilities. As for the waste plastic processing business, revenues were 171 million yen below the projection, since shipment was regulated so as not to expand the stock of waste plastic as fuel, following the power plant fire. Revenues from The organic liquid waste processing business were 45 million yen because it accepted a smaller quantity of liquid. In July, periodic repairs were conducted at the Kita-Kyushu Incineration Plant and legal inspection of turbines were conducted at the Tomakomai Power Plant.



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Improvement of the Profitability

Quarterly Net Sales and SGA



<Reference: Quarterly Operating Profit & SGA % to Net Sales>

(Millions of Yen)

Quarterly	FY2006				FY2007				FY2008
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
SGA %	48.2%	56.1%	56.6%	59.3%	50.9%	56.9%	46.3%	42.5%	42.2%
Operating Profit	404	(1,228)	(1,226)	(1,331)	(114)	(1,358)	(132)	37	330

1st quarter's ratio of selling, general and administrative costs to sales was 42.2%, roughly the same level as in the fourth quarter of the previous year, down 8.7 points from the same period last year and down 2.9 points from the projection.



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Forecast for Consolidated March 2008

Forecast for FY2008 : Statement of Income

(Millions of Yen)

	FY2008					
	1st Half		2nd Half		Full Year	
	Forecast	% of Change	Forecast	% of Change	Forecast	% of Change
Net Sales	14,230	-8.4%	14,450	8.0%	28,680	-0.8%
(H S)	7,770	-8.3%	6,830	1.5%	14,600	-4.0%
(E S)	1,990	-10.0%	2,010	7.0%	4,000	-2.2%
(ERD)	4,470	-7.7%	5,610	17.7%	10,080	4.9%
Cost of Sales	7,904	-9.2%	7,646	1.6%	15,550	-4.2%
Gross Profit	6,326	-7.4%	6,804	16.4%	13,130	3.6%
SGA	6,166	-25.8%	5,964	0.4%	12,130	-14.9%
Operating Profit	160	-	840	-	1,000	-
Recurring Profit	100	-	800	-	900	-
Net Income	(60)	-	720	-	660	-

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Forecast for FY2008 : Segment Information

(Millions of Yen)

		FY2008					
		1st Half		2nd Half		Full Year	
		Forecast	Increase/Decrease	Forecast	Increase/Decrease	Forecast	Increase/Decrease
HS	Net Sales	7,770	(705)	6,830	99	14,600	(605)
	Gross Profit	5,280	(525)	4,590	(14)	9,870	(539)
	SGA	3,650	(1,341)	3,405	(19)	7,055	(1,361)
	Operating Profit	1,630	816	1,185	5	2,815	821
ES	Net Sales	1,990	(222)	2,010	131	4,000	(90)
	Gross Profit	800	(145)	780	20	1,580	(124)
	SGA	792	(327)	740	(55)	1,532	(382)
	Operating Profit	8	182	40	76	48	258
ERD	Net Sales	4,470	(375)	5,610	842	10,080	467
	Gross Profit	246	164	1,434	950	1,680	1,114
	SGA	654	(141)	676	(8)	1,330	(150)
	Operating Profit	(408)	306	758	958	350	1,265
Elimination and/or Corporated	Operating Profit	(1,070)	329	(1,143)	(106)	(2,213)	222

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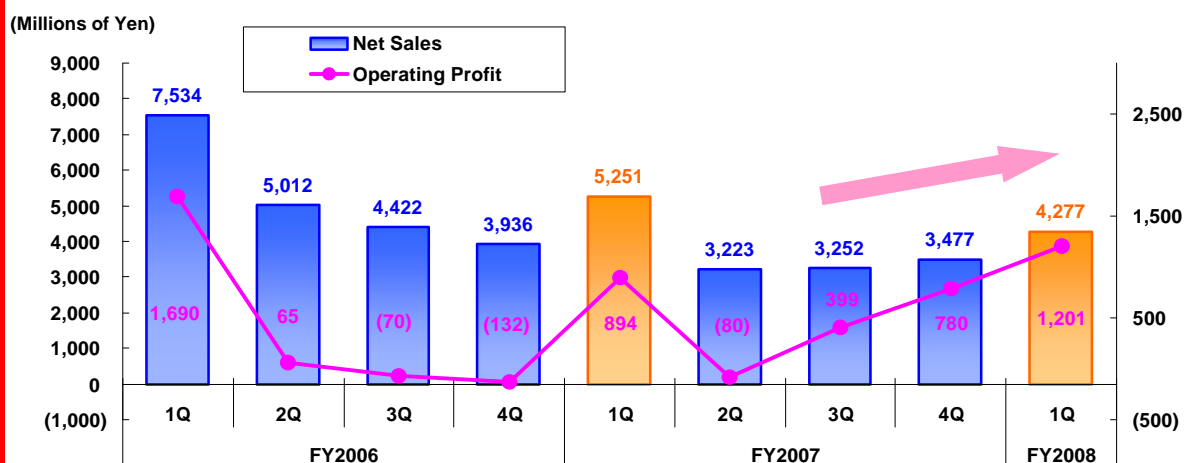
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Summary of the HS Division

HS Division: Net Sales and Operating Profit

Net Sales and Operating Profit in the HS Division

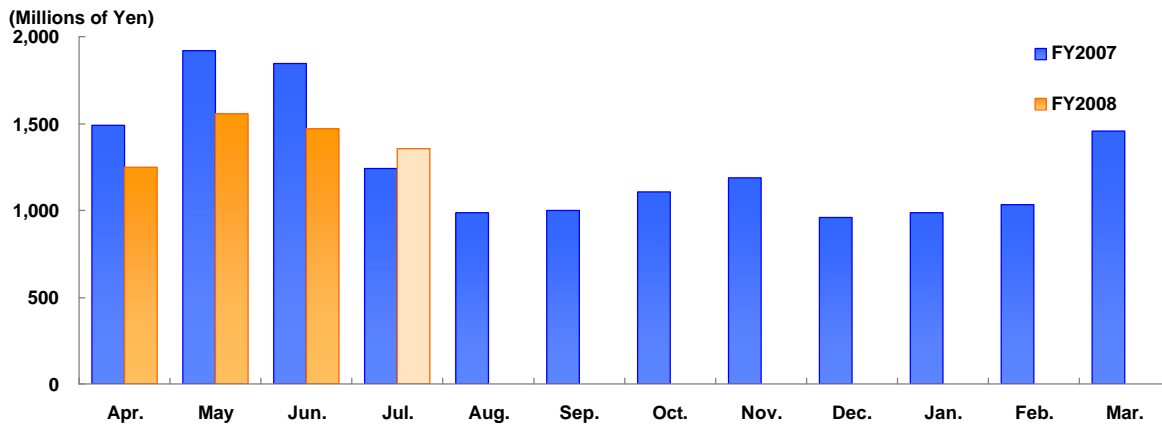


<Reference : Operating Profit and Operating Profit % to Net Sales

Quarterly	FY2006				FY2007				FY2008
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Operating Profit	1,690	65	(70)	(132)	894	(80)	399	780	1,201
Operating Profit %	22.4%	1.3%	-1.6%	-3.4%	17.0%	-2.5%	12.3%	22.4%	28.1%

HS Division : Monthly Sales Volume

Monthly Sales Volume

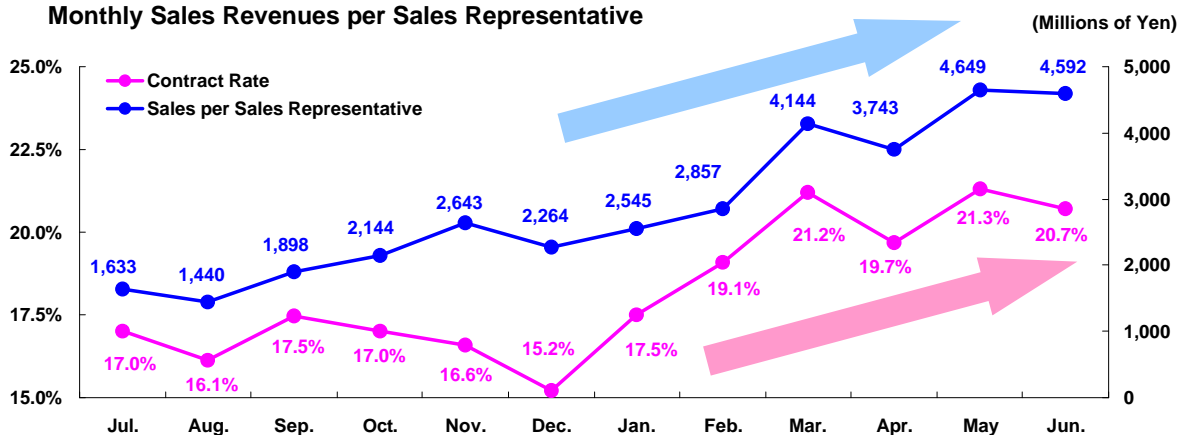


<Reference : Monthly Sales Volume>

Monthly	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FY2007	1,489	1,918	1,843	1,239	986	998	1,108	1,186	957	987	1,031	1,458
% of Change	64.4%	71.9%	72.1%	72.2%	64.2%	56.7%	63.2%	80.5%	80.1%	96.6%	73.7%	96.3%
FY2008	1,246	1,557	1,474	1,363								
% of Change	83.7%	81.2%	80.0%	110.0%								

HS Division: Sales Productivity

Monthly Sales Revenues per Sales Representative



<Reference : The Number of Sales Representative>

	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Sales Representative	759	685	526	517	449	423	388	361	352	333	335	321

The number of employees engaged in sales activities remained stable at around 330 persons. Sales per employee tended to grow, as in the previous period; in the first quarter, it was 4,300,000 yen on average (about 2,000,000 yen up from the previous period). The contract ratio recovered to the 20% mark.

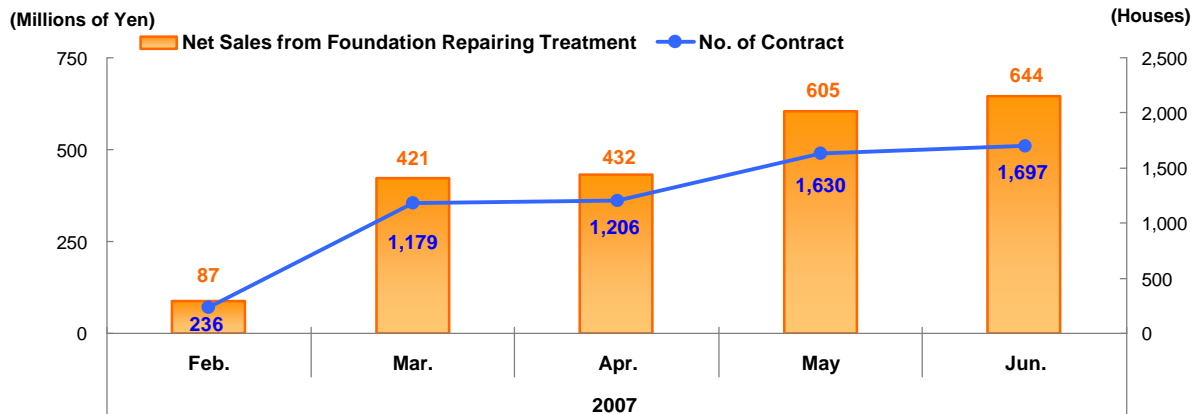
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Summary of the HS Division Foundation Repairing Treatment

Foundation Repairing Treatment : Net Sales

Net Sales and Number of Construction of Foundation Repairing Treatment



<Reference: The yen value per contract in the HS Division>

	Feb.	Mar.	Apr.	May	Jun.
The yen value per contract	176.3	205.9	211.9	239.2	254.2

The new product launched in mid-February 2007, SANIX Foundation Repairing Treatment, showed steadily favorable sales results. In this quarter, it accounted for 39.3% of the HS Division's total sales, becoming one of the Division's major products. The yen value per contract improved from March, immediately after the launching of the new product, to 254 thousand yen in June.

Foundation Repairing Treatment

Difference from Usual Product

Cracks in the foundation are the most obvious visible signs of foundation deterioration. SANIX foundation repair is a new and appealing product that can be recommended as a simple yet effective solution for foundation problems, even to those who do not show understanding of our marketing approach from the perspective of "preventive medicine," i.e. preventive maintenance to prevent occurrence of damage.



Application of Past Experience and Existing Techniques

It is possible to accurately assess the condition of a foundation by using the underfloor inspection know-how our company has accumulated over the past 30 years. Moreover, this product requires only the usual foundation inspection; no special additional processes are needed. As well, since no complicated techniques are involved, it is possible for servicepersons to learn foundation crack repair techniques in a short time.

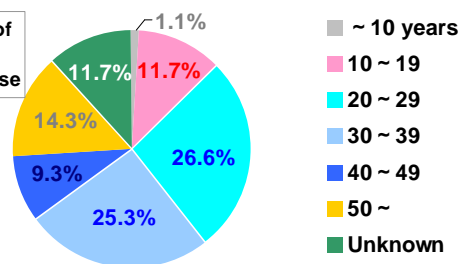


Foundation Repairing Treatment

Efficiency of Sales Activity

It has been reported that 64% of structures built before 1981 and 23% of those built after 1982 are "dangerous." This includes structures with significant foundation cracks. Customers living in houses more than 20 years old account for 75.5% of our total customers. Therefore, this is a product that we can confidently recommend (sell) to our existing customers.

Percentage of customers by age of house



Foundation Reinforcement (additional crack sealing) Service also Introduced

For houses with severe cracks that cannot be dealt with by fundamental repair, "foundation reinforcement work" is recommended. After on-site inspection by the SANIX Fukuoka First-class Architect Office, additional crack sealing is performed to reinforce the foundation.

