



# **SANIX INCORPORATED**

## Consolidated/Non-Consolidated Interim Financial Summary

For the First Half ended September 30, 2004

The financial figures in this document are based on Japanese Accounting Standards and accompanying laws. Percentages are rounded off to 1 decimal place. This document is an English translation of the Japanese-language original.

**Consolidated Financial Statements**

For the First Half ended September 30, 2004

**SANIX INCORPORATED**

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: <http://www.sanix.co.jp>

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Contact: Kozo Inoue, Managing Director, Administration Department, Management and Planning Division

U.S. Accounting Principle: Not adopted

**Consolidated Financial Highlights for the First Half ended September 30, 2004**

(April 1, 2004 to September 30, 2004)

**(1) Consolidated Operating Results**

(Millions of Yen)

	First Half				Full Year
	between April 1 and September 30				ended March 31, 2004
	FY2005	% change	FY2004	% change	FY2003
Net Sales . . . . .	<b>22,748</b>	<b>(3.3%)</b>	23,535	(17.8%)	43,987
Operating Income . . . . .	<b>(318)</b>	-	(3,085)	-	(4,698)
Recurring Profit . . . . .	<b>(289)</b>	-	(3,062)	-	(4,661)
Net Income . . . . .	<b>(415)</b>	-	(3,493)	-	(7,099)
Net Income per Share(¥) . . . . .	<b>(¥10.46)</b>	-	(¥87.97)	-	(¥178.77)
Net Income per Share, Diluted(¥) . . . . .	-	-	-	-	-

Note (1) Investment profit and loss on equity method:

¥ - million (First Half ended September 30, 2004)

¥ - million (First Half ended September 30, 2003)

¥ - million (Full Year ended March 31, 2004)

Note (2) Average number of shares issued and outstanding during the fiscal term:

First Half ended September 30, 2004 39,716, 110shares

First Half ended September 30, 2003 39,717,518 shares

Fiscal Year ended March 31, 2004 39,717,129 shares

Note (3) Changes in accounting method: None

Note (4) Percentages shown for net sales, operating income, recurring profit and net income are the increase and decrease compared with the previous first half.

## (2) Consolidated Financial Position

(Millions of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Total Assets . . . . .	<b>52,984</b>	59,457	55,245
Shareholders' Equity . . . . .	<b>30,574</b>	34,941	31,377
Shareholders' Equity Ratio (%) . . . . .	<b>57.7%</b>	58.8%	56.8%
Shareholders' Equity per Share (¥) . . . . .	<b>¥769.84</b>	¥879.75	¥790.01

Note (1) Number of shares issued and outstanding at period end

First Half ended September 30, 2004	39,715,748 shares
First Half ended September 30, 2003	39,717,368 shares
Fiscal Year ended March 31, 2004	39,716,598 shares

## (3) Consolidated Financial Cash Flows

(Millions of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Cash Flows from Operating Activities . . . . .	<b>628</b>	(603)	(647)
Cash Flows from Investing Activities . . . . .	<b>(37)</b>	(602)	(866)
Cash Flows from Financing Activities . . . . .	<b>(981)</b>	1,013	755
Balance of Cash and Cash Equivalents at End of Peric	<b>1,088</b>	2,045	1,479

## (4) Matters Pertaining to Consolidation and Concerning the Adoption of Equity Method Accounting

Number of consolidated subsidiaries: 6

Number of non-consolidation subsidiary, which adopted equity method: 0

Number of affiliated company, which adopted equity method: 0

## (5) Change in Consolidation and the Adoption of Equity Method

Number of newly consolidated company: 1

Number of company excluded from consolidation: 0

Number of new company, which adopted equity method: 0

Number of company excluded from equity method: 0

(6) Forecasts for Consolidated Business Results

For the fiscal year ending March 31, 2005

	(Millions of Yen)
	Full Year
	ending March 31
	FY2005
Net Sales . . . . .	44,548
Recurring Profit . . . . .	440
Net Income . . . . .	234
Net Income per Share( ¥ ) . . . . .	¥5.91

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. Group Outline

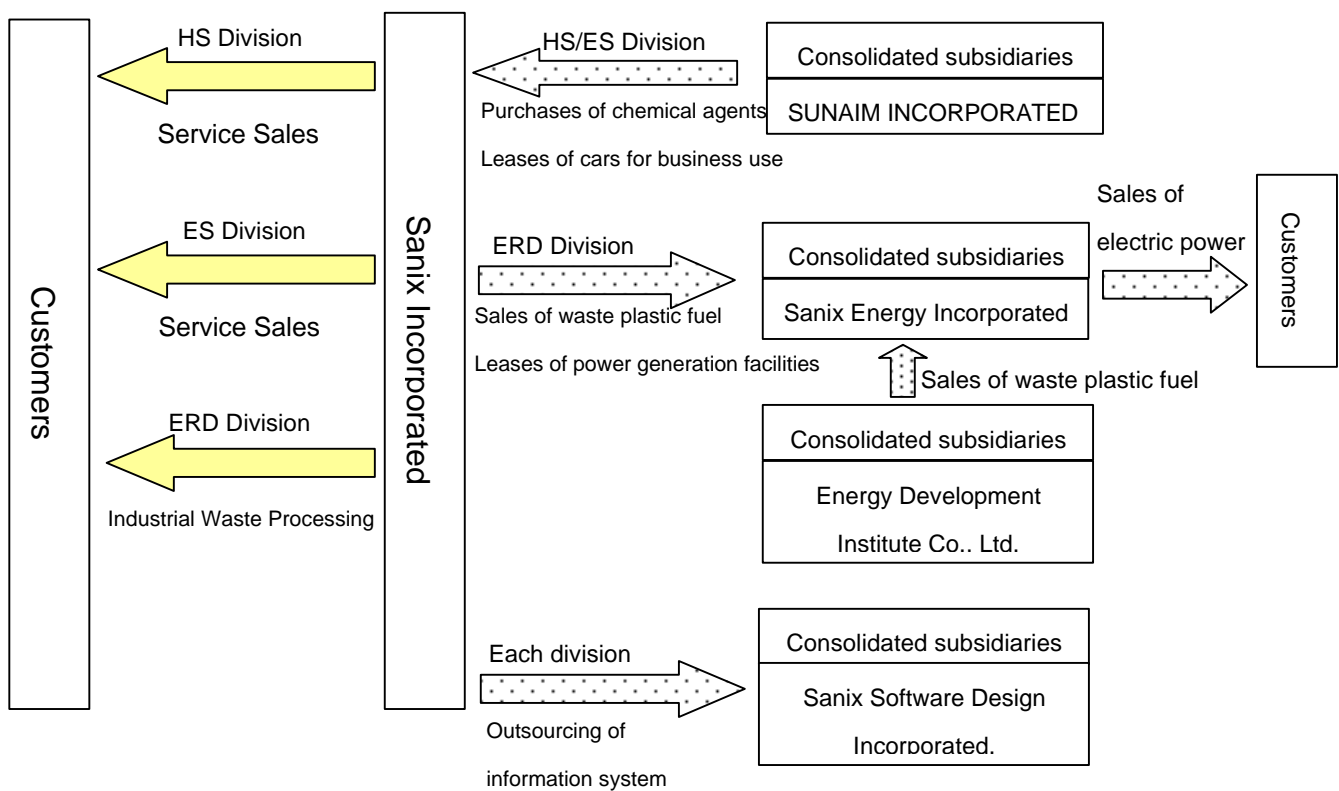
The core businesses conducted by the Sanix Group, and the positioning and relation of major activities of its subsidiaries and affiliates are as described below. These major businesses are grouped into business divisions according to the business segments they belong to.

**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.) SANIX purchased information system services relating to each of its divisions from Sanix Software Design Incorporated. EDI Incorporated is engaged mainly in real estate lease/rental and warehousing businesses.



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.

## **II. Business Policies**

### **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.

### **Profit Distribution**

(1) SANIX operates its business focusing on returning its profit to shareholders. Our basic policy regarding dividends is to continue a stable payment of dividends to shareholders. More dividends can be distributed as the operational results of the Company expand. To this end, we are striving to improve our profitability. Internal reserves are used for measures to strengthen our financial structure as well as for effective and efficient capital investments that will contribute to the enhancement of our corporate value in the medium and long term.

(2) Stock option plan

In fiscal 2003, a stock option plan was created to promote recovery of operational results and further improvement of corporate value by aligning the interest of officers and employees under the SANIX Group with the interest of shareholders. During the year, stock options for 1,970,000 shares in total were granted to 2,747 directors, auditors and employees under the SANIX Group.

### **Medium-and Long-Term Business Strategies**

In our Home Sanitation Division, we promote sales and cultivate latent demand. Our guiding concept is to improve home durability and longevity through our Termite Eradication Services, Under-floor and Under-roof Ventilation Systems, and Home Reinforcement System, all intended to deliver a more comfortable living environment to customers. We continue the creation of a marketing organization that is closely connected to the local community. Steady marketing efforts are exerted to find new customers who will then be the source for our future assets. Fine-tuned maintenance services are provided to existing customers. The medium-and long-term goal of the HS Division is to put back this business, which should have a high profit margin, onto the track of growth, by increasing sales and improving the efficiency of operations.

The ES Division conducts business mainly in the Kanto region where office buildings, apartment complexes, and other large facilities are concentrated. In the previous fiscal year, the Division also expanded its marketing efforts into a new geographic area, the Chukyo region. The core product of the Division is the “water activator.” This product is installed in commercial buildings and apartment complexes to improve the quality of supply water, which, in turn, will also extend the service life of water facilities. Through provision of regular maintenance programs for the installed water activators, we will explore further needs for services and products in water supply systems and other facilities. In the medium-to-long term, we will expand our environmental business into new areas by promoting sales of the Arsenic Removal System and the Ozone Purification System. Efforts to improve the efficiency of the operations are also exerted to improve the profitability of the business.

In the Environmental Resource Development Division, SANIX focuses on volume reduction, the detoxification and recycling of

industrial waste, to contribute to the realization of a recycling society. The main business of the Division is processing waste plastic into fuel and power generation utilizing the waste plastic fuel. The Tomakomai Power Plant once consumed a huge amount of time and costs for repairs and examinations of problems that hindered any realization of continuous and stable power generation. However, these problems have been solved and repairs were completed at the time of the regular maintenance during the 1st half of the current year. The Division will continue its efforts to maintain the continuous heavy-load operation of the Tomakomai Power Plant. At the same time, its 16 plastic recycling plants will make efforts to process more volumes of waste plastic into fuel. In addition, efforts for improving the operation efficiency and cost reduction will be made in all aspects of the Division to reduce the deficit level, and to record profits in the near future.

## **Basic Policy and Actions for Corporate Governance**

### **(1) Basic Policy for Corporate Governance**

SANIX recognizes that corporate governance is a critical issue to be addressed by a company to ensure business management that fulfils social responsibility based on corporate ethics. It has been developing a corporate structure that promotes and ensures quick decision-making, monitoring of management, transparency of management, and compliance with laws and regulations. We also believe that corporate governance is important to ensure maximization of the corporate value and management of the company for the best interest of shareholders.

### **(2) Actions for Corporate Governance**

The board of directors of SANIX comprises 11 directors so that quick business decision can be made by the management. The board meets regularly at least once a month, and special meetings are called at any time as necessary. It discusses not only matters required to be decided by the board by law and the articles of association of SANIX, but also reviews the performance of business divisions and other businesses to make important business decisions. In May 2004, SANIX adopted the executive officer system to clearly divide the functions of the board and the executive officers. Each executive officer manages the business he/she is in charge of, in accordance with the decisions made by the board of directors. Independent (outside) directors were not appointed. The council of auditors comprises four auditors, including two part-time outside auditors. Auditors attend each meeting of the board of directors and other executive meetings where important matters are discussed, to monitor the performance of directors. Legal compliance, prompt and proper decision-making and monitoring of business management are guaranteed by these internal checking measures.

The Internal Control Office and the Risk Management Office are established for internal control purposes. They conduct internal audits and other examinations whenever necessary to ensure maintenance and improvement of healthy operation of business divisions and to reinforce compliance.

The independent accounting auditor hired by SANIX carries out accounting audits of SANIX not only at the end of year, but throughout the year, playing an important role in our corporate governance.

SANIX asks for advice of its legal counsel as necessary to secure that the business management of the company complies with all applicable laws and regulations.

### **(3) Relationship between SANIX and outside auditors**

Auditor Gen-ichiro Yasui is the representative director of Rix Co., Ltd. SANIX purchases certain parts for repair to facilities and consumable supplies from Rix Co., Ltd. SANIX has no other relationship with any other person, whether in connection with personnel matters, capital stock, business transaction or other interests.

## Policy for relation with interested parties

No applicable matter.

## III. Business Results

### 1. First Half Overview

#### (1) Earnings

During the 1st half ended September 30, 2004, the Japanese economy strengthened the pace of recovery, with improved corporate performance and expanded capital expenditure, as well as a sign of recovery in personal spending.

In the environmental sanitation industry, people's interest in the maintenance of houses and buildings remained very strong, but consumers are now more particular in their selection of a service provider. To be chosen by such demanding customers, a stronger appeal and selling power of our products, enhanced ability of sales representatives to respond to customers' requests, and a more customer-oriented marketing attitude were necessary.

Under these circumstances, the SANIX Group continued efforts to recover its businesses into profitable operation. Measures for productivity improvement and cost reduction and other serious organizational reforms implemented in the second half of fiscal 2003 were further strengthened. As a part of efforts for rationalization of operations, 31 sales offices (17 in the HS Division, 14 in the ES Division) were consolidated or closed to improve sales efficiency and profitability. In the Environmental Resources Development Division, the Sanix Energy Tomakomai Power Plant (Tomakomai, Hokkaido) has striven for stable operation and for an increase in power sales volumes. In addition, the ERD division strove to improve the profitability of the resource-recycling power generation system by increasing sales revenues from the business of processing waste plastic into fuel for power generation.

Consequently, sales by the HS Division and sales by the ES Division decreased from the same period of the previous year. Sales by the ERD division increased. Sales of the entire Group decreased 3.3% from the same period of the previous year to 22,748 million yen. Operating profit by the HS Division increased, and the ES Division returned to profitable operation, supported by continued cost reduction and productivity improvement efforts, and the reduction of the ratio of labor cost to sales, as well as reduction in the selling, general and administrative expenses. The ERD Division reduced the operating loss through the growth of electric power sales and reduction of expenses needed for facility adjustment. As a result, ordinary loss over the entire Group decreased to 289 million yen (from 3,062 million yen during the same period in the previous year), and net loss decreased to 415 million yen (from 3,493 million yen during the same period in the previous year).

#### Earnings of individual divisions:

##### Home Sanitation Division

Sales by the HS Division dropped 8.2% to 14,179 million yen from the same period of the previous year. The HS Division focused on increasing contact opportunities with customers, promoting close communication during sales activities. It also strengthened the ability of sales representatives to respond to customers' requests and to develop new markets. As a result, sales per capita increased 34.4% from the same period of the previous year. However, the total sales by the Division decreased because the sales representatives were reduced.

Operating profit increased to 2,674 million yen (from 1,150 million yen in the same period of the previous year). This improvement was mainly due to the sharp reduction of labor and other costs, with per capita sales improved, and

streamlined efforts to improve operation profitability, such as consolidation and closing of sales offices, implemented in March and April 2004, in addition to other cost reduction measures. The ratio of operating profit to sales improved to 18.9% (compared with 7.5% in the same period of the previous year).

#### Establishment Sanitation Division

Sales by the ES division declined 11.8% from the same period last year to 3,544 million yen. Sales revenues from Care & Maintenance of Building, Water Supply businesses targeted at buildings and apartment houses increased, while sales revenues from the Water Activator Installation business and Building Water-proofing and Painting Work businesses decreased. In accordance with its policy to focus on the pursuit of profitability, the ES Division implemented the consolidation and closing of 14 sales offices in April and May to promote the streamlining of operations. On the other hand, it also made serious efforts to improve its marketing productivity.

The ES division achieved remarkable improvement in profitability of its operations, mainly as a result of a 48.8% increase in sales per capita compared with the same period of the previous year. Reduction of fixed costs achieved through the consolidation and closing of certain sales offices and other measures also contributed to this improvement. Consequently, an operating profit of 263 million yen was recorded during the 1st half of the current year (compared with the operating loss of 162 million yen in the same period of the previous year).

#### Environmental Resources Development Division

Sales by the ERD Division grew to 5,025 million yen, an increase of 23.4% compared to the same period of the previous year. The Division strove for a stepwise increase of both the power production and power sales volumes in the Sanix Energy Tomakomai Power Plant. Its operating ratio was stabilized and improved through the regular inspection and modification implemented in July 2004. As a result, revenues from power sales increased 3.7 times the same period of the previous year. Revenues from the waste plastic processing business also increased 8.3% because greater volumes of waste plastic were processed into fuel for power generation at our plastic recycling plants. Revenues from the organic liquid waste processing business at Hibiki Plant (Kitakyushu, Fukuoka) increased 30.3% from the same period of the previous year.

The Division achieved a reduction in loss mainly through the sales growth in the power generation and other businesses. Although regular maintenance at the Tomakomai Power Plant required expenditure, reduction of costs related to facility adjustment in the Tomakomai Plant, which had been a burden during the previous year, also contributed to this loss reduction. The level of its operating loss was reduced to 1,601 million yen in the current 1st half (compared with operating loss of 2,288 million yen in the same period of the previous year).

## **(2) Full-year Forecast**

With the enforcement of the revised Specific Commercial Transactions Law in November 2004, aiming at the strengthening of consumer protection, it is expected that consumers will become more severe in selecting service providers. Under such circumstances, the Company believes that it should focus more on customer-oriented marketing and improving its ability to satisfy customer needs. The Company regards this legislative revision as an opportunity for business expansion. We, as a leader in the environmental sanitation industry, will continue our marketing approach closely related to the community, aiming to become a reliable company for consumers.

In the ERD Division, a series of improvement works were conducted in the Tomakomai Power Plant during the 1st half. As a result, the plant became ready for continuous full-scale operation. In and after the 3rd Quarter, it is able to operate stably and continuously with high efficiency. In addition to this, by maintaining the pace of sales expansion in the waste plastic

processing business, we believe that the sales of the ERD Division will continue to expand.

The break-even point lowered in all divisions, resulting in improvement in the profit status. In and after the 3rd Quarter, further productivity improvement and cost reduction are expected in the HS and ES Divisions. In the ERD Division, cost reduction at the Tomakomai Power Plant and growth of the electricity sales are expected. The Company will strive to further improve the profitability of the entire Group, compared with the 1st half, in order to record net profit in the 2nd half and thereafter on an annual basis.

Consequently, considering net sales during the first half was below the forecast, though profit during the second half is expected to be almost the same level as the forecast, consolidated net sales for the year is expected to be 44,548 million yen, operating income 401 million yen, recurring profit 440 million yen, and net income is expected to be 234 million yen.

### (3) Financial Position

As of September 30, 2004, cash and cash equivalents totaled 1,088 million yen on a consolidated basis, a decrease of 390 million yen from the previous year-end. This decline was mainly due to the negative cash flow spent for the financing activities, while the operating cash flow increased as a result of the increased net income.

Net cash provided from operating activities amounted to 628 million yen (an increase from the same period last year in which 603 million yen of net cash was used). Main factors contributing to this increase were: enhanced marketing productivity that was tackled from the second half of the previous year, improved profitability achieved through cost reduction efforts and sharp reduction of net loss before taxes and minority interest compared with the same period in the previous year. Net cash used for investing activities amounted to 37 million yen (an improvement on the same period last year in which 602 million yen of net cash was used). This improvement was mainly because expenditures for acquiring tangible fixed assets decreased in the ERD and other divisions, compared with the same period in the previous year. Net cash used for financing activities was 981 million yen, a decrease from the same period last year in which 1,013 million yen of net cash was provided. Major expenditures were debt repayments.

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

	FY2003		FY2004		FY2005
	First Half	Full Year	First Half	Full Year	First Half
Shareholders' equity ratio	71.7%	62.5%	58.8%	56.8%	<b>57.7%</b>
Shareholders' equity ratio on a market price basis	105.2%	41.0%	53.6%	62.4%	<b>57.6%</b>
Debt-redemption years	6.48 year	-	-	-	<b>22.70 year</b>
Interest coverage ratio	39.51	-	-	-	<b>4.90</b>

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

Share ratio on a market price basis: Total market value of stock/Gross 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 and for the year ended March 2004 as the operating cash flow was negative in these years.

## IV. Consolidated First-Half Financial Statements

### 1. Consolidated Balance Sheet for the First Half

(Thousands of Yen)

Assets:	as of September 30				as of March 31, 2004	
	FY2005	Ratio %	FY2004	Ratio %	FY 2004	Ratio %
<b>Current Assets:</b>						
Cash and bank deposits . . . . .	1,147,462		2,107,528		1,546,346	
Notes and accounts receivable . . . . .	3,120,314		3,514,325		3,095,980	
Inventories . . . . .	1,192,732		1,169,160		1,249,360	
Deferred income taxes . . . . .	20,687		786,037		19,857	
Other current assets . . . . .	449,029		442,321		479,215	
Allowance for doubtful accounts . . . . .	(57,269)		(141,509)		(58,980)	
<b>Total Current Assets:</b>	<b>5,872,956</b>	<b>11.1</b>	<b>7,877,863</b>	<b>13.2</b>	<b>6,331,779</b>	<b>11.5</b>
<b>Fixed Assets:</b>						
<b>Tangible Fixed Assets:</b>						
Buildings and structures . . . . .	10,186,029		11,161,742		10,659,930	
Machinery, equipment and vehicles . . . . .	14,914,285		16,509,263		15,995,240	
Land . . . . .	18,295,174		18,283,519		18,295,174	
Construction in progress . . . . .	3,937		591,517		-	
Other tangible fixed assets . . . . .	220,183		250,218		233,512	
<b>Total Tangible Fixed Assets:</b>	<b>43,619,610</b>	<b>82.3</b>	<b>46,796,262</b>	<b>78.7</b>	<b>45,183,858</b>	<b>81.8</b>
<b>Intangible Fixed Assets:</b>						
<b>Total Intangible Fixed Assets:</b>	<b>82,744</b>	<b>0.2</b>	<b>83,886</b>	<b>0.1</b>	<b>83,254</b>	<b>0.1</b>
<b>Investments and Other Assets:</b>						
Investments in securities . . . . .	1,077,675		1,120,125		1,184,712	
Deposits and guaranty . . . . .	1,638,468		1,953,134		1,826,746	
Deferred tax assets . . . . .	11,597		949,347		10,379	
Other . . . . .	1,077,455		1,158,062		1,107,108	
Allowance for bad loans . . . . .	(396,242)		(481,429)		(482,509)	
<b>Total Investments and Other Assets:</b>	<b>3,408,954</b>	<b>6.4</b>	<b>4,699,240</b>	<b>8.0</b>	<b>3,646,437</b>	<b>6.6</b>
<b>Total Fixed Assets:</b>	<b>47,111,308</b>	<b>88.9</b>	<b>51,579,389</b>	<b>86.8</b>	<b>48,913,551</b>	<b>88.5</b>
<b>Total Assets:</b>	<b>52,984,265</b>	<b>100.0</b>	<b>59,457,252</b>	<b>100.0</b>	<b>55,245,330</b>	<b>100.0</b>

(Thousands of Yen)

Liabilities, Minority interests and Shareholders' Equity:	First Half as of September 30		Full Year as of March 31, 2004			
	FY2005	Ratio %	FY2004	Ratio %	FY 2004	Ratio %
<b>Current Liabilities:</b>						
Notes and accounts payable . . . . .	953,743		766,247		945,027	
Short-term loans . . . . .	4,330,000		6,180,000		3,380,000	
Long-term loans payable in 1 year . . . . .	2,783,200		2,146,920		2,835,990	
Corporated bond payable in 1 year . . . . .	200,000		200,000		200,000	
Accrued expenses . . . . .	1,389,792		1,678,841		1,372,481	
Accrued income taxes . . . . .	190,062		117,603		179,599	
Consumption tax payable . . . . .	282,010		376,769		522,792	
Accrued bonuses . . . . .	164,513		468,794		250,146	
Allowance for recycling costs . . . . .	679,130		1,159,783		869,782	
Other current liabilities . . . . .	2,220,743		2,506,665		2,548,728	
<b>Total Current Liabilities:</b>	<b>13,193,196</b>	<b>24.9</b>	<b>15,601,624</b>	<b>26.2</b>	<b>13,104,548</b>	<b>23.7</b>
<b>Non-Current Liabilities:</b>						
Corporate bond . . . . .	600,000		800,000		700,000	
Long-term debt . . . . .	6,357,300		5,790,930		7,746,900	
Deferred income taxes . . . . .	29,864		-		22,314	
Security deposit payable . . . . .	209,039		197,753		201,984	
Retirement benefit . . . . .	1,644,182		1,673,783		1,640,544	
Other non-current liabilities . . . . .	364,000		452,000		452,000	
<b>Total Non-Current Liabilities:</b>	<b>9,204,385</b>	<b>17.4</b>	<b>8,914,466</b>	<b>15.0</b>	<b>10,763,743</b>	<b>19.5</b>
<b>Total Liabilities:</b>	<b>22,397,582</b>	<b>42.3</b>	<b>24,516,091</b>	<b>41.2</b>	<b>23,868,291</b>	<b>43.2</b>
<b>Minority Interests:</b>	<b>11,931</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' Equity:</b>						
Capital stock . . . . .	12,533,820	23.6	12,533,820	21.1	12,533,820	22.7
Additional paid-in capital . . . . .	15,853,954	29.9	15,853,954	26.7	15,853,954	28.7
Retained earnings . . . . .	3,750,495	7.1	8,169,401	13.7	4,563,507	8.2
Net unrealized holding gain/loss on securities . . . . .	44,894	0.1	(8,901)	(0.0)	33,515	0.1
Less treasury stock at cost . . . . .	(1,608,413)	(3.0)	(1,607,112)	(2.7)	(1,607,758)	(2.9)
<b>Total Shareholders' Equity:</b>	<b>30,574,751</b>	<b>57.7</b>	<b>34,941,161</b>	<b>58.8</b>	<b>31,377,038</b>	<b>56.8</b>
<b>Total Liabilities, Minority Interests and Stockholders Equity</b>	<b>52,984,265</b>	<b>100.0</b>	<b>59,457,252</b>	<b>100.0</b>	<b>55,245,330</b>	<b>100.0</b>

## 2. Consolidated Statement of Income for the First Half

(Thousands of Yen)

	First Half				Full Year	
	between April 1 and September 30				ended March 31, 2004	
	FY2005	Ratio %	FY2004	Ratio %	FY 2004	Ratio %
<b>Net sales</b> . . . . .	<b>22,748,514</b>	<b>100.0</b>	23,535,638	100.0	43,987,214	100.0
<b>Cost of sales</b> . . . . .	<b>11,708,689</b>	<b>51.5</b>	12,281,853	52.2	23,202,445	52.7
<b>Gross profit</b> . . . . .	<b>11,039,825</b>	<b>48.5</b>	11,253,784	47.8	20,784,768	47.3
<b>Selling, general and administrative expenses</b> . . . . .	<b>11,358,335</b>	<b>49.9</b>	14,339,105	60.9	25,483,694	58.0
Operating income . . . . .	<b>(318,510)</b>	<b>(1.4)</b>	(3,085,320)	(13.1)	(4,698,926)	(10.7)
Non-operating income:						
Interest income . . . . .	<b>4,557</b>		4,367		8,736	
Dividend income . . . . .	<b>13,391</b>		4,035		9,424	
Insurance commission received . . . . .	<b>5,415</b>		6,648		12,996	
Rent revenue . . . . .	<b>163,314</b>		128,934		275,085	
Other non-operating income . . . . .	<b>47,080</b>		61,142		107,079	
<b>Total non-operating income</b> . . . . .	<b>233,760</b>	<b>1.0</b>	205,128	0.9	413,323	0.9
Non-operating expenses						
Interest expenses . . . . .	<b>129,098</b>		89,950		214,431	
Bond issue expenses . . . . .	-		26,000		26,000	
Rental expenses . . . . .	<b>71,215</b>		61,453		123,048	
Other non-operating expenses . . . . .	<b>4,855</b>		4,675		12,596	
<b>Total non-operating expenses</b> . . . . .	<b>205,169</b>	<b>0.9</b>	182,078	0.8	376,076	0.8
<b>Recurring profit</b> . . . . .	<b>(289,919)</b>	<b>(1.3)</b>	(3,062,271)	(13.0)	(4,661,679)	(10.6)
Extraordinary income:						
Gain on sale of property, plant and equipment . . . . .	-		4,479		4,617	
Insurance money received . . . . .	<b>253</b>		1,262		3,451	
Gain on sale of investment securities . . . . .	<b>54,091</b>		21,101		21,101	
Transfer from reserve for possible loan losses . . . . .	<b>3,591</b>		-		-	
<b>Total extraordinary income</b> . . . . .	<b>57,936</b>	<b>0.3</b>	26,842	0.1	29,169	0.1
Extraordinary losses:						
Loss on sale of property, plant and equipment . . . . .	-		1,058		10,140	
Loss on retirement of property, plant and equipm . . . . .	<b>45,346</b>		14,823		25,173	
Loss on cancellation of lease contract . . . . .	<b>4,015</b>		2,534		7,455	
Loss on sale of investment securities . . . . .	-		54,690		54,873	
Loss on valuation of investment securities . . . . .	-		59,618		35,878	
Loss on valuation of membership right . . . . .	-		18,700		19,780	
Director's retirement bonus . . . . .	<b>32,110</b>		6,090		6,090	
Reorganization of offices expense . . . . .	-		-		212,565	
<b>Total extraordinary losses</b> . . . . .	<b>81,471</b>	<b>0.4</b>	157,514	0.7	371,956	0.9
Income before income taxes and minority interests	<b>(313,454)</b>	<b>(1.4)</b>	(3,192,942)	(13.6)	(5,004,466)	(11.4)
Corporate income, local and enterprise taxes . . . . .	<b>98,544</b>	<b>0.4</b>	104,972	0.4	200,157	0.4
Adjustment on corporate tax, etc . . . . .	<b>(2,085)</b>	<b>(0.1)</b>	195,936	0.8	1,895,121	4.3
Minority interests in consolidated subsidiaries . . . . .	<b>5,431</b>	<b>0.1</b>	-		-	
<b>Net income / loss</b> . . . . .	<b>(415,345)</b>	<b>(1.8)</b>	(3,493,851)	(14.8)	(7,099,745)	(16.1)

### 3. Consolidated Statement of Retained Earnings for the First Half

(Thousands of Yen)

	First half		Fiscal year
	from April 1 to September 30		ended March 31
	FY2005	FY2004	FY2004
<b>(Additional paid-in capital)</b>			
I. Additional paid-in capital at the beginning of the fiscal term . .	<b>15,853,954</b>	15,853,954	15,853,954
II. Additional paid-in capital at the end of the term . . . . .	<b>15,853,954</b>	15,853,954	15,853,954
<b>(Retained earnings)</b>			
I. Retained earnings at the beginning of the fiscal term . . . . .	<b>4,563,507</b>	12,060,428	12,060,428
II. Decrease in retained earnings			
Dividend . . . . .	<b>397,165</b>	397,176	397,176
Directors' bonus . . . . .	<b>500</b>	-	-
Net loss . . . . .	<b>415,345</b>	3,493,851	7,099,745
III. Retained earnings at the end of the term . . . . .	<b>3,750,495</b>	8,169,401	4,563,507

#### 4. Consolidated Cash Flow Statement for the First Half

(Thousands of Yen)

	First Half (April 1 to Sep 30)		Full Year(April 1 to March
	FY2005	FY2004	FY2004
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests . . . . .	(313,454)	(3,192,942)	(5,004,466)
Depreciation and amortization . . . . .	1,656,369	1,870,155	3,876,642
Increase in allowance for retirement benefits . . . . .	3,637	(16,311)	(49,550)
Increase in allowance for recycling costs . . . . .	(190,651)	(308,368)	(598,369)
Increase/decrease in allowance for doubtful accounts . . . . .	(87,978)	96,881	14,352
Interest and dividend income . . . . .	(17,988)	(8,402)	(18,161)
Interest expense . . . . .	129,098	89,950	214,431
Bond issue expense . . . . .	-	26,000	26,000
Commission expense paid . . . . .	28	141	4,904
Gain on sales of short-term investments in securities . . . . .	(54,091)	(21,101)	(21,101)
Loss on sales of short-term investments in securities . . . . .	-	54,690	54,873
Loss on valuation of short-term investments in securities . . . . .	-	59,618	35,878
Loss on valuation of membership right . . . . .	-	18,700	19,780
Gain on sale of property, plant and equipment . . . . .	-	(4,479)	(4,617)
Loss on sale of property, plant and equipment . . . . .	-	1,058	10,140
Loss on disposal of property, plant and equipment . . . . .	45,346	14,823	25,173
Loss on reorganization of offices expense . . . . .	-	-	212,565
Increase/decrease in notes and accounts receivable-trade . . . . .	(24,333)	(108,815)	309,529
Increase/decrease in inventories . . . . .	56,627	305,005	224,806
Increase/decrease in other current assets . . . . .	14,424	367,618	314,764
Increase/decrease in notes and accounts payable-trade . . . . .	(8,083)	25,621	204,402
Increase/decrease in consumption taxes payable . . . . .	(227,797)	369,488	515,513
Increase/decrease in other current liabilities . . . . .	(185,437)	(239,385)	(948,097)
Payment of bonuses to directors and auditors . . . . .	(500)	-	-
Other . . . . .	103,790	(288,541)	(207,006)
<b>Net</b> . . . . .	<b>899,004</b>	<b>(888,594)</b>	<b>(787,612)</b>
Interest and dividend income received . . . . .	14,017	8,402	17,715
Interest expense paid . . . . .	(128,285)	(102,234)	(223,106)
Income taxes paid . . . . .	(165,958)	(62,558)	(95,760)
Refunded corporate tax . . . . .	9,837	441,125	441,138
<b>Net cash provided by operating activities:</b>	<b>628,615</b>	<b>(603,858)</b>	<b>(647,624)</b>
<b>Cash Flows from Investing Activities:</b>			
Increase/decrease in time deposit . . . . .	8,500	(18,500)	(23,500)
Proceeds from sales of securities . . . . .	185,070	365,011	395,250
Payment for purchases of securities . . . . .	(5,000)	(30,714)	(30,845)
Proceeds from sale of property, plant and equipment . . . . .	-	13,099	23,539
Payment for purchases of property, plant and equipment . . . . .	(326,029)	(918,776)	(1,307,916)
Other . . . . .	100,000	(12,794)	76,530
<b>Net cash provided by investing activities:</b>	<b>(37,458)</b>	<b>(602,675)</b>	<b>(866,940)</b>
<b>Cash Flows from Financing Activities:</b>			
Increase/decrease in short-term borrowings . . . . .	950,000	(3,970,000)	(6,770,000)
Proceeds from long-term loans . . . . .	-	5,200,000	9,245,400
Repayment of long-term loans . . . . .	(1,442,390)	(789,160)	(2,189,520)
Proceeds from issuance of corporate bond . . . . .	-	970,239	970,239
Payment for redemption of corporate bond . . . . .	(100,000)	-	(100,000)
Proceeds from pay-in by minority shareholders for shares of newly established compar . . . . .	6,500	-	-
Increase/decrease in treasury stock . . . . .	(654)	(125)	(771)
Dividends paid . . . . .	(394,967)	(397,487)	(398,905)
Other . . . . .	(28)	(17)	(1,144)
<b>Net cash provided by financing activities:</b>	<b>(981,540)</b>	<b>1,013,449</b>	<b>755,298</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase/decrease in cash and cash equivalents . . . . .</b>	<b>(390,384)</b>	<b>(193,084)</b>	<b>(759,266)</b>
<b>Cash and cash equivalents at beginning of the fiscal term . . . . .</b>	<b>1,479,346</b>	<b>2,238,612</b>	<b>2,238,612</b>
<b>Cash and cash equivalents at the end of the fiscal term . . . . .</b>	<b>1,088,962</b>	<b>2,045,528</b>	<b>1,479,346</b>

# Significant Accounting Policies

## Relating to Financial Statements

### 1. 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

Sanix Solution Incorporated were established during this first half and added to the consolidation from the current fiscal year.

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.

### 2. 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.

There is no affiliated company, which did not adopt equity method.

### 3. Matters Pertaining to the Settlement Dates of Consolidated Subsidiaries

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

### 4. Accounting Treatment Standards

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

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 shareholders' equity, 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

Inventories:

Half-finished products and material: Cost method computed by moving average method

Stored goods: The latest purchase cost method

- (2) Depreciation methods for depreciable assets.

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

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).

Long-term prepaid expenses: Straight-line method

(3) Accounting standards for allowances and reserves.

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.

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.

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 interim 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.

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 first half.

(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

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.

Hedging arrangements and transactions to be hedged

(Hedging arrangement) Interest rate swap contracts

(Transactions to be hedged) Interest on borrowings

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.

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

Temporary consumption taxes paid and temporary consumption taxes received were set off with each other, and the net amount was reported as consumption taxes payable on the balance sheet.

## **5. Valuation Method of Assets and Liabilities of Consolidated Subsidiaries**

Market value method

## **6. 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.

## Notes

### Notes to Consolidated Balance Sheet

1. Total accumulated depreciation for tangible fixed assets (Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Total accumulated depreciation for tangible fixed	<b>14,654,710</b>	11,075,129	13,061,669

2. Hypothecated assets and secured liabilities

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings and structures . . . . .	<b>483,680</b>	519,667	500,800
Machinery, equipment and vehicles . . . . .	<b>563,509</b>	645,494	601,720
Land . . . . .	<b>1,311,067</b>	1,311,067	1,311,067
Other tangible fixed assets . . . . .	<b>4,144</b>	4,618	4,324
Total . . . . .	<b>2,362,402</b>	2,480,849	2,417,913

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings and structures . . . . .	<b>4,085,745</b>	3,494,250	4,234,431
Land . . . . .	<b>10,113,607</b>	7,558,872	10,071,978
Time deposit . . . . .	-	-	35,000
Total . . . . .	<b>14,199,352</b>	11,053,123	14,341,409

Secured liabilities (Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Short-term loans . . . . .	<b>900,000</b>	1,462,320	100,000
Long-term loans payable in 1 year . . . . .	<b>2,524,000</b>	244,320	1,214,190
Long-term loans . . . . .	<b>6,165,500</b>	4,920,330	6,952,500
Total . . . . .	<b>9,589,500</b>	6,626,970	8,266,690

3. Number of shares of treasury stock (Shares)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Number of shares of treasury stock . . . . .	<b>1,205,004</b>	1,203,384	1,204,154

4. Contingent liabilities

(Six months ended September 30, 2004)

Litigation

On September 17, 2003, 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 (399,000,000 yen), a modification cost (325,500,000 yen) and a cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant.

The Sanix Group withheld the payment of the contract price for the construction of pre-treatment facilities performed by KAJIMA CORP., because the designs and the performed work were defective. Regarding the cost of modification of the aforementioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix Group does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix Group filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

Furthermore, the KAJIMA CORP. filed with the Council a petition dated April 20, 2004 that claims against the Sanix Group payment of additional construction cost of 34,419,000 yen for the modification of the pre-treatment facilities in the Tomakomai Power Plant.

(Six months ended September 30, 2003)

#### Litigation

On September 17, 2003, 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 (325,500,000 yen) (399,000,000 yen) , a modification cost and cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant. The Sanix Group withheld the payment of the contract price for the construction of pre-treatment facilities performed by the KAJIMA CORP, because the designs and the performed work were defective. Regarding the cost of modification of the aforementioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix Group does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix Group filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

(Year ended March 31, 2004)

#### Litigation

On September 17, 2003, 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 (325,500,000 yen) (399,000,000 yen), a modification cost and cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant.

The Sanix Group withheld the payment of the contract price for the construction of pre-treatment facilities performed by KAJIMA CORP., because the designs and the performed work were defective. Regarding the cost of modification of the aforementioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix Group does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix Group filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

Furthermore, KAJIMA CORP. filed with the Council a petition dated April 20, 2004 that claims against the Sanix Group payment of additional construction cost of 34,419,000 yen for the modification of the pre-treatment facilities in the Tomakomai Power Plant.

## Notes to Consolidated Statement of Income

### 1. Main items in Selling, general, and administrative expense (Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Salaries and bonuses . . . . .	5,558,411	7,026,258	12,859,777
Net provision for accrued bonuses . . . . .	111,280	319,841	188,364
Net provision for retirement benefit . . . . .	144,321	135,119	267,041

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

	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
	Machinery, equipment and vehicles . . . . .	-	4,479
Other tangible fixed assets . . . . .	-	-	138
Total gain on sale of property, plant and equipment . . . . .	-	4,479	4,617

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

	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
	Machinery, equipment and vehicles . . . . .	-	1,058

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings and structures . . . . .	5,228	10,307	10,891
Machinery, equipment and vehicles . . . . .	37,315	897	7,744
Other tangible fixed assets . . . . .	2,803	3,617	6,536
Total loss on disposal of property, plant and equipment . . . . .	45,346	14,823	25,173

## 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.

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Cash and bank deposits . . . . .	1,147,462	2,107,528	1,546,346
Time deposits exceeding 3 months . . . . .	(58,500)	(62,000)	(67,000)
Cash and cash equivalents . . . . .	1,088,962	2,045,528	1,479,346

## Notes to lease transactions

Relationship 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)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
	Machinery and Vehicle		
Book Value . . . . .	<b>1,393,889</b>	2,234,175	1,731,432
Cumulative depreciation . . . . .	<b>918,240</b>	1,359,556	1,069,533
Value at end of half year . . . . .	<b>475,648</b>	874,618	661,899
	Others (Tool Function)		
Book Value . . . . .	<b>901,942</b>	1,059,428	895,716
Cumulative depreciation . . . . .	<b>710,714</b>	666,274	608,172
Value at end of half year . . . . .	<b>191,227</b>	393,154	287,543
	Total		
Book Value . . . . .	<b>2,295,831</b>	3,293,604	2,627,149
Cumulative depreciation . . . . .	<b>1,628,954</b>	2,025,831	1,677,706
Value at end of half year . . . . .	<b>666,876</b>	1,267,773	949,442
Outstanding balance of future lease payments at the end of the period:			
Within one year . . . . .	<b>395,355</b>	609,757	505,125
Over one year . . . . .	<b>334,278</b>	709,674	488,148
Total . . . . .	<b>729,634</b>	1,319,432	993,273
Amount of lease fee payments, depreciation expense and interest expense:			
Lease fee payments . . . . .	<b>289,668</b>	368,650	716,684
Depreciation expense . . . . .	<b>262,400</b>	345,647	669,388
Interest expense . . . . .	<b>11,657</b>	19,513	35,368

Accounting 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 and the acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

## Notes to Short-Term Investments

### 1. First half ended September 30, 2004

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

	First Half		
	As of September 30, 2004		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	373,701	448,685	74,983
Other	5,000	4,842	(157)
<b>Total</b>	<b>378,701</b>	<b>453,527</b>	<b>74,826</b>

(2) Principal marketable securities without market price (excluding 1, above) (Thousands of Yen)

	First Half	
	As of September 30, 2004	
	Value stated on consolidated balance sheet	
Other marketable securities		
Non-listed stocks (excluding OTC stocks)		624,147
<b>Total</b>		<b>624,147</b>

### 2. First half ended September 30, 2003

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

	First Half		
	As of September 30, 2003		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	480,929	466,360	(14,568)
Other	29,977	29,616	(361)
<b>Total</b>	<b>510,907</b>	<b>495,977</b>	<b>(14,929)</b>

(2) Principal marketable securities without market price (excluding 1, above) (Thousands of Yen)

	First Half	
	As of September 30, 2003	
	Value stated on consolidated balance sheet	
Other marketable securities		
Non-listed stocks (excluding OTC stocks)		624,147
<b>Total</b>		<b>624,147</b>

(Note) The Companies wrote down investments in securities by 59,618 thousand yen for the first half ended September 30, 2003. The Companies write down investment in equity securities where its fair market value at the first half end declines compared with the cost by 50% and more by each individual security. For the decline ratio of the market value above 30% less than 50%, the Companies determine to write down investment in equity security considering historical trend of the fair market value during the fiscal year and the various financial ratios based on the financial statements of the issuing enterprise.

### 3. Fiscal year ended March 31, 2004

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

	Full Year		
	As of March 31, 2004		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	504,704	560,565	55,860
Other	-	-	-
<b>Total</b>	<b>504,704</b>	<b>560,565</b>	<b>55,860</b>

(2) Principal marketable securities without market price (excluding 1, above) (Thousands of Yen)

	Full Year	
	As of March 31, 2004	
	Value stated on consolidated balance sheet	
Other marketable securities		
Non-listed stocks (excluding OTC stocks)	624,147	
<b>Total</b>	<b>624,147</b>	

(Note) The Companies wrote down investments in securities by 35,878 thousand yen for the fiscal year ended March 31, 2004. The Companies write down investment in equity securities where its fair market value at the first half end declines compared with the cost by 50% and more by each individual security. For the decline ratio of the market value above 30% less than 50%, the Companies determine to write down investment in equity security considering historical trend of the fair market value during the fiscal year and the various financial ratios based on the financial statements of the issuing enterprise.

(Derivative transactions)

Six months ended September 30, 2004 (April 1, 2004 to September 30, 2004)

There were no applicable transactions.

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

Six months ended September 30, 2003 (April 1, 2003 to September 30, 2003)

No companies in the Sanix Group conducted derivative transactions.

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

12 months ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

There were no applicable transactions.

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

## V. Segment Information

### 1. Segment Information by type of business

Current consolidated first-half accounting period (From April 1, 2004 to September 30, 2004)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers . . . . .	14,179,087	3,544,241	5,025,185	22,748,514	—	22,748,514
(2)Internal sales among segments and transfer accounts. . . . .	—	—	404	404	(404)	—
Total . . . . .	14,179,087	3,544,241	5,025,590	22,748,919	(404)	22,748,514
Operating expenses . . . . .	11,504,996	3,280,475	6,627,501	21,412,973	1,654,051	23,067,024
Operating income(loss) . . . . .	2,674,090	263,766	(1,601,911)	1,335,945	(1,654,455)	(318,510)

Prior consolidated first-half accounting period (From April 1, 2003 to September 30, 2003)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers . . . . .	15,445,957	4,016,229	4,073,450	23,535,638	—	23,535,638
(2)Internal sales among segments and transfer accounts. . . . .	—	—	401	401	(401)	—
Total . . . . .	15,445,957	4,016,229	4,073,852	23,536,039	(401)	23,535,638
Operating expenses . . . . .	14,295,168	4,178,237	6,362,341	24,835,747	1,785,211	26,620,959
Operating income(loss) . . . . .	1,150,789	(162,008)	(2,288,488)	(1,299,708)	(1,785,612)	(3,085,320)

Prior consolidated fiscal year accounting period (April 1, 2003 to March 31, 2004)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers . . . . .	28,059,205	7,191,111	8,736,896	43,987,214	—	43,987,214
(2)Internal sales among segments and transfer accounts. . . . .	—	—	768	768	(768)	—
Total . . . . .	28,059,205	7,191,111	8,737,664	43,987,982	(768)	43,987,214
Operating expenses . . . . .	24,966,187	7,447,837	12,784,441	45,198,466	3,487,674	48,686,140
Operating income(loss) . . . . .	3,093,017	(256,725)	(4,046,776)	(1,210,483)	(3,488,442)	(4,698,926)

## 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.

Current consolidated first half accounting period. . . . . ¥1,654,455 thousand

Prior consolidated first half accounting period. . . . . ¥1,785,612 thousand

Prior consolidated fiscal year accounting period. . . . . ¥3,488,442 thousand

## 2. Segment information by location

Current first half (April 1, 2004 to September 30, 2004)

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.

Previous first half (April 1, 2003 to September 30, 2003)

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.

Previous fiscal year (April 1, 2003 to March 31, 2004)

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.

## 3. Foreign sales

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.

(Per share data)

Six months ended September 30, 2004 (From April 1, 2004 to September 30, 2004)

Net asset per share	769.84 yen
Net loss per share	10.46 yen

Six months ended September 30, 2003 (From April 1, 2003 to September 30, 2003)

Net asset per share	879.75 yen
Net loss per share	87.97 yen

12 months ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

Net asset per share	790.01 yen
Net loss per share	178.77 yen

Although potential shares issuable existed, diluted earning per share was not calculated because net loss was recorded.

(Note) Net loss per share was calculated based on the following data:

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Net Income (Thousands of Yen) . . . . .	<b>(415,345)</b>	(3,493,851)	(7,099,745)
Amount not attributable to ordinary shareholders (Thousands of Yen) . . . . .	-	-	500
(including officers' bonuses as part of appropriation of profit) . . . . .	(-)	(-)	(500)
Net Income attributable to common shares . . . . .	<b>(415,345)</b>	(3,493,851)	(7,100,245)
Average shares outstanding during the year (Shares) . . . . .	<b>39,716,110</b>	39,717,518	39,717,129

Potential shares issuable not included in the calculation of diluted earning per share because no diluting effect arises in the situation where net loss is recorded:

Six months ended September 30, 2004 (From April 1, 2004 to September 30, 2004)

Type of potential stocks issuable Equity warrant	19,794
Number of potential shares issuable Common shares	1,979,000 shares

Six months ended September 30, 2003 (From April 1, 2003 to September 30, 2003)

Type of potential stocks issuable Equity warrant	24,484
Number of potential shares issuable Common shares	2,448,000 shares

12 months ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

Type of potential stocks issuable Equity warrant	21,750
Number of potential shares issuable Common shares	2,175,000 shares

## Net Sales by Division

	First Half		Changes	Full Year
	from April 1 to September 30			ended March 31
	FY2005	FY2004		FY2004
Termite Eradication Service . . . . .	<b>6,030,878</b>	6,399,882	(369,004)	10,990,478
Under-Roof/Floor Ventilation System . . . . .	<b>4,549,907</b>	4,963,576	(413,669)	9,014,949
Home Reinforcement System . . . . .	<b>1,602,183</b>	1,850,072	(247,889)	4,063,597
Other . . . . .	<b>1,996,118</b>	2,232,425	(236,307)	3,990,179
<b>Home Sanitation Division Total:</b>	<b>14,179,087</b>	15,445,957	(1,266,870)	28,059,205
Water activator installation . . . . .	<b>1,459,154</b>	1,542,119	(82,965)	2,871,543
Repair of building water-works . . . . .	<b>756,391</b>	706,735	49,655	1,320,638
Waterproofing of building . . . . .	<b>615,812</b>	1,767,374	(438,677)	2,998,930
Other . . . . .	<b>712,884</b>			
<b>Establishment Sanitation Division Total:</b>	<b>3,544,241</b>	4,016,229	(471,987)	7,191,111
Industrial Waste (Waste plastic processing) . . . . .	<b>2,344,941</b>	2,063,483	281,458	4,245,211
Industrial waste (Organic Waste Water Recycle) . . . . .	<b>961,825</b>	738,203	223,622	1,419,166
Generation of electricity . . . . .	<b>727,441</b>	195,507	531,933	874,128
Industrial waste (Incineration) . . . . .	<b>568,463</b>	681,148	(112,684)	1,448,769
Other . . . . .	<b>422,512</b>	395,107	27,404	749,620
<b>Environmental Resources Development Division Total:</b>	<b>5,025,185</b>	4,073,450	951,734	8,736,896
<b>Total Net Sales:</b>	<b>22,748,514</b>	23,535,638	(787,123)	43,987,214

## Financial Statements

For the First half ended September 30, 2004

### SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: <http://www.sanix.co.jp>

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

### Non-Consolidated Financial Highlights for the First-Half ended September 30, 2004

(April 1, 2004 to September 30, 2004)

#### (1) Non-Consolidated Operating Results

(Millions of Yen)

	First Half				Full Year
	between April 1 and September 30				ended March 31
	FY2005	% change	FY2004	% change	FY2004
Net Sales . . . . .	21,910	(6.1%)	23,338	(18.5%)	43,091
Operating Income . . . . .	127	-	(2,467)	-	(3,609)
Recurring Profit . . . . .	(301)	-	(2,910)	-	(4,581)
Net Income . . . . .	(385)	-	(3,305)	-	(7,281)
Net Income per Share( ¥ ) . . . . .	(¥9.70)	-	(¥83.23)	-	(¥183.32)

Note (1) Average number of shares issued and outstanding during the fiscal term

First Half ended September 30, 2004	39,716,110 shares
First Half ended September 30, 2003	39,717,518 shares
Fiscal Year ended March 31, 2004	39,717,129 shares

Note (2) Changes in accounting method: None

Note (3) Percentages shown for net sales, operating income, recurring profit and net income are the increase and decrease compared with the previous first half ended September 30, 2003.

#### (2) Dividends

	First Half		Full Year
	between April 1 and September 30		ended March 31
	FY2005	FY2004	FY2004
Dividend per Share ( ¥ ) . . . . .	-	-	¥10.00

### (3) Non-Consolidated Financial Position

(Millions of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2003
	FY2004	FY2003	FY2003
Total Assets . . . . .	52,060	59,205	54,483
Shareholders' Equity . . . . .	30,221	34,926	30,993
Shareholders' Equity Ratio (%) . . . . .	58.1%	59.0%	56.9%
Shareholders' Equity per Share (¥) . . . . .	¥760.94	¥879.38	¥780.36

Note (1) Number of shares issued and outstanding at period end

First Half ended September 30, 2004	39,715,748 shares
First Half ended September 30, 2003	39,717,368 shares
Fiscal Year ended March 31, 2004	39,716,598 shares

(2) Number of treasury stocks at period end

First Half ended September 30, 2004	1,205,004 shares
First Half ended September 30, 2003	1,203,384 shares
Fiscal Year ended March 31, 2004	1,204,154 shares

### (4) Forecasts for Non-Consolidated Business Results

For the fiscal year ending March 31, 2005

(Millions of Yen)

	Full Year
	ending March 31
	FY2005
Net Sales . . . . .	42,430
Recurring Profit . . . . .	270
Net Income . . . . .	120
Net Income per Share(¥) . . . . .	¥10.00
Annual dividend per Share(¥) . . . . .	¥10.00

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.

# Non-Consolidated Interim Financial Statements

## 1. Non-Consolidated Balance Sheet for the First Half

(Thousands of Yen)

	Fist Half		Full Year			
	as of September 30		as of March 31, 2003			
<b>Assets:</b>	<b>FY2005</b>	<b>Ratio %</b>	<b>FY2004</b>	<b>Ratio %</b>	<b>FY 2004</b>	<b>Ratio %</b>
<b>Current Assets:</b>						
Cash and bank deposits . . . . .	794,424		1,864,646		1,234,067	
Note receivable . . . . .	128,221		104,032		123,820	
Accounts receivable . . . . .	2,739,451		3,359,506		2,817,515	
Inventories . . . . .	952,928		996,474		1,030,360	
Deferred income taxes . . . . .	-		764,737		-	
Other current assets . . . . .	378,233		355,908		424,096	
Allowance for doubtful accounts . . . . .	(58,400)		(143,000)		(60,500)	
<b>Total Current Assets:</b>	<b>4,934,860</b>	<b>9.5</b>	<b>7,302,304</b>	<b>12.3</b>	<b>5,569,360</b>	<b>10.2</b>
<b>Fixed Assets:</b>						
<b>Tangible Fixed Assets:</b>						
Buildings . . . . .	7,853,431		8,539,437		8,199,981	
Machinery, equipment and vehicles . . . . .	14,869,878		16,453,346		15,947,478	
Land . . . . .	16,755,702		16,755,702		16,755,702	
Construction in progress . . . . .	3,937		591,517		-	
Other tangible fixed assets . . . . .	2,523,394		2,843,721		2,664,719	
<b>Total Tangible Fixed Assets:</b>	<b>42,006,344</b>	<b>80.7</b>	<b>45,183,725</b>	<b>76.4</b>	<b>43,567,881</b>	<b>80.0</b>
<b>Intangible Fixed Assets:</b>						
<b>Total Intangible Fixed Assets:</b>	<b>80,974</b>	<b>0.1</b>	<b>81,777</b>	<b>0.1</b>	<b>81,375</b>	<b>0.1</b>
<b>Investments and Other Assets:</b>						
Short-term investments . . . . .	1,076,983		1,119,551		1,184,112	
Deposits and Guaranty . . . . .	1,623,910		1,939,223		1,812,800	
Long-term loans to affiliated company . . . . .	1,500,000		1,500,000		1,500,000	
Deferred tax assets . . . . .	-		941,316		-	
Other . . . . .	1,233,284		1,619,338		1,250,937	
Allowance for bad loans . . . . .	(396,242)		(481,429)		(482,509)	
<b>Total Investments and Other Assets:</b>	<b>5,037,935</b>	<b>9.7</b>	<b>6,637,999</b>	<b>11.2</b>	<b>5,265,341</b>	<b>9.7</b>
<b>Total Fixed Assets:</b>	<b>47,125,254</b>	<b>90.5</b>	<b>51,903,502</b>	<b>87.7</b>	<b>48,914,599</b>	<b>89.8</b>
<b>Total Assets:</b>	<b>52,060,115</b>	<b>100.0</b>	<b>59,205,807</b>	<b>100.0</b>	<b>54,483,959</b>	<b>100.0</b>

(Thousands of Yen)

	First Half		Full Year			
	as of September 30		as of March 31, 2004			
<b>Liabilities and Shareholders' Equity:</b>	<b>FY2005</b>	<b>Ratio %</b>	<b>FY2004</b>	<b>Ratio %</b>	<b>FY 2004</b>	<b>Ratio %</b>
<b>Current Liabilities:</b>						
Notes payable . . . . .	301,997		229,423		319,681	
Accounts payable . . . . .	559,466		652,755		537,598	
Short-term borrowings . . . . .	4,100,000		6,000,000		3,200,000	
Long-term loans payable in 1 year . . . . .	2,754,400		2,090,520		2,779,590	
Corporate bonds payable in 1 year . . . . .	200,000		200,000		200,000	
Amount in arrears . . . . .	1,877,896		2,229,203		2,268,675	
Accrued expenses . . . . .	1,366,441		1,653,669		1,345,675	
Accrued income taxes . . . . .	150,942		78,234		153,246	
Consumption tax payable . . . . .	274,463		368,401		513,846	
Accrued bonuses . . . . .	150,000		449,000		234,530	
Allowance for recycling costs . . . . .	679,130		1,159,783		869,782	
Other current liabilities . . . . .	233,000		307,803		330,252	
<b>Total Current Liabilities:</b>	<b>12,647,738</b>	<b>24.3</b>	<b>15,418,794</b>	<b>26.0</b>	<b>12,752,878</b>	<b>23.4</b>
<b>Non-Current Liabilities:</b>						
Corporate bond . . . . .	600,000		800,000		700,000	
Long-term debt . . . . .	6,357,300		5,750,330		7,734,500	
Retirement benefit . . . . .	1,630,694		1,660,280		1,627,170	
Deferred income taxes . . . . .	29,864		-		22,314	
Other non-current liabilities . . . . .	573,039		649,753		653,984	
<b>Total Non-Current Liabilities:</b>	<b>9,190,898</b>	<b>17.6</b>	<b>8,860,364</b>	<b>15.0</b>	<b>10,737,969</b>	<b>19.7</b>
<b>Total Liabilities:</b>	<b>21,838,636</b>	<b>41.9</b>	<b>24,279,159</b>	<b>41.0</b>	<b>23,490,848</b>	<b>43.1</b>
<b>Shareholders' Equity:</b>						
Capital stock . . . . .	12,533,820	24.1	12,533,820	21.1	12,533,820	23.0
Additional paid-in capital						
Capital surplus reserve . . . . .	3,133,455		15,853,954		15,853,954	
Other additional paid-in capital . . . . .	12,720,498		-		-	
Additional paid-in capital total . . . . .	15,853,954	30.5	15,853,954	26.8	15,853,954	29.1
Retained earnings						
Earned surplus reserve . . . . .	-		395,279		395,279	
Unappropriated reserve . . . . .	1,500,000		9,365,908		9,365,908	
Unappropriated profits . . . . .	1,897,320		(1,606,272)		(5,581,566)	
Retained earnings total . . . . .	3,397,320	6.5	8,154,915	13.8	4,179,622	7.7
Unrealized holding gain/loss on securities . . . . .	44,796	0.1	(8,929)	(0.0)	33,472	0.1
Less treasury stock at cost . . . . .	(1,608,413)	(3.1)	(1,607,112)	(2.7)	(1,607,758)	(3.0)
<b>Total Shareholders' Equity:</b>	<b>30,221,478</b>	<b>58.1</b>	<b>34,926,648</b>	<b>59.0</b>	<b>30,993,110</b>	<b>56.9</b>
<b>Total Liabilities and Stockholders Equity:</b>	<b>52,060,115</b>	<b>100.0</b>	<b>59,205,807</b>	<b>100.0</b>	<b>54,483,959</b>	<b>100.0</b>

## 2. Non-Consolidated Statement of Income for the First Half

(Thousands of Yen)

	First Half				Full Year	
	between April 1 and September 30				ended March 31, 2004	
	FY2005	Ratio %	FY2004	Ratio %	FY 2004	Ratio %
<b>Net sales</b> . . . . .	<b>21,910,125</b>	<b>100.0</b>	23,338,381	100.0	43,091,560	100.0
<b>Cost of sales</b> . . . . .	<b>10,618,288</b>	<b>48.5</b>	11,680,486	50.0	21,632,064	50.2
<b>Gross profit</b> . . . . .	<b>11,291,836</b>	<b>51.5</b>	11,657,894	50.0	21,459,496	49.8
<b>Selling, general and administrative expenses</b> . . . . .	<b>11,164,293</b>	<b>50.9</b>	14,125,203	60.6	25,068,794	58.2
Operating income . . . . .	<b>127,542</b>	<b>0.6</b>	(2,467,308)	(10.6)	(3,609,298)	(8.4)
Non-operating income:						
Interest income . . . . .	<b>4,549</b>		11,311		8,722	
Dividend income . . . . .	<b>37,381</b>		24,028		29,417	
Insurance commission received . . . . .	<b>51,415</b>		6,648		12,996	
Rent revenue . . . . .	<b>408,271</b>		399,437		816,460	
Other non-operating income . . . . .	<b>4,655</b>		62,382		110,247	
<b>Total non-operating income</b> . . . . .	<b>506,274</b>	<b>2.3</b>	503,809	2.2	977,845	2.3
Non-operating expenses:						
Interest expenses . . . . .	<b>126,809</b>		85,426		207,396	
Bond issue expenses . . . . .	-		26,000		26,000	
Rent expense . . . . .	<b>804,519</b>		830,941		1,704,173	
Other non-operating expenses . . . . .	<b>4,088</b>		4,575		12,496	
<b>Total non-operating expenses</b> . . . . .	<b>935,417</b>	<b>4.3</b>	946,942	4.1	1,950,066	4.5
<b>Recurring profit</b> . . . . .	<b>(301,600)</b>	<b>(1.4)</b>	(2,910,442)	(12.5)	(4,581,519)	(10.6)
Extraordinary income:						
Gain on sale of property, plant and equipment . . . . .	-		4,479		4,617	
Insurance proceeds . . . . .	<b>253</b>		1,262		3,451	
Gain on sale of investment securities . . . . .	<b>54,091</b>		21,101		21,101	
Gain on transfer from reserve for possible loan losses	<b>3,591</b>		-		-	
<b>Total extraordinary income</b> . . . . .	<b>57,936</b>	<b>0.3</b>	26,842	0.1	29,169	0.1
Extraordinary losses:						
Loss on disposal of property, plant and equipment . . . . .	<b>45,346</b>		8,569		18,919	
Loss on sale of property, plant and equipment . . . . .	-		1,058		10,140	
Loss on cancellation fo lease contract . . . . .	<b>4,015</b>		2,534		7,455	
Loss on sale of investment securities . . . . .	-		54,690		54,873	
Loss on valuation of investment securities . . . . .	-		59,618		35,878	
Loss on valuation of affiliated company's stock . . . . .	-		-		316,000	
Loss on valuation of membership right . . . . .	-		18,700		19,780	
Directors' retirement bonus . . . . .	<b>32,110</b>		6,090		6,090	
Reorganization of offices expense . . . . .	-		-		212,565	
<b>Total extraordinary losses</b> . . . . .	<b>81,471</b>	<b>0.4</b>	151,261	0.6	681,703	1.6
Income before income taxes . . . . .	<b>(325,136)</b>	<b>(1.5)</b>	(3,034,860)	(13.0)	(5,234,052)	(12.1)
Corporate income, local and enterprise taxes . . . . .	<b>60,000</b>	<b>0.3</b>	66,000	0.3	142,000	0.4
Adjustment on corporate tax, etc . . . . .	-		204,916	0.9	1,905,016	4.4
<b>Net income / loss</b> . . . . .	<b>(385,136)</b>	<b>(1.8)</b>	(3,305,776)	(14.2)	(7,281,069)	(16.9)
Earned surplus carried forward from the previous term . . . . .	<b>1,887,176</b>		1,699,503		1,699,503	
Reversal of earned surplus reserve . . . . .	<b>395,279</b>		-		-	
Unappropriated profits . . . . .	<b>1,897,320</b>		(1,606,272)		(5,581,566)	

# Significant Accounting Policies

## Relating to Financial Statements

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

Stocks of subsidiaries: Cost method computed by moving average method

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 shareholders' equity, 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

(3) Depreciation methods for depreciable assets.

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

Intangible fixed assets: Straight-line method

Long-term prepaid expenses: Straight-line method

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

(5) Accounting standards for allowances and reserves

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.

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.

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 interim 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.

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 first half.

(6) Accounting treatment for lease transactions: Finance lease transactions, except those under which the title of the leased asset is deemed to be transferred to the lessee, are treated according to the method used for ordinary loan transactions.

(7) Hedging accounting

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.

Hedging arrangements and transactions to be hedged

(Hedging arrangement) Interest rate swap contracts

(Transactions to be hedged) Interest on borrowings

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.

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.

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

Accounting treatment of consumption tax: Excluding tax method

Temporary consumption taxes paid and temporary consumption taxes received were set off with each other, and the net amount was reported as consumption taxes payable on the balance sheet.

## Notes

### Notes to Non-Consolidated Balance Sheet

1. Total accumulated depreciation for tangible fixed assets (Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Total accumulated depreciation for tangible fixed	<b>14,436,206</b>	10,879,578	12,853,304

2. Hypothecated assets and secured liabilities

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings . . . . .	<b>394,771</b>	423,591	408,548
Structures . . . . .	<b>88,909</b>	96,075	92,251
Machinery, equipment and vehicles . . . . .	<b>563,509</b>	645,494	601,720
Land . . . . .	<b>1,311,067</b>	1,311,067	1,311,067
Other tangible fixed assets . . . . .	<b>4,144</b>	4,618	4,324
Total . . . . .	<b>2,362,402</b>	2,480,849	2,417,913

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings . . . . .	<b>4,085,745</b>	3,494,250	4,234,431
Land . . . . .	<b>10,113,607</b>	7,558,872	10,071,978
Time deposit . . . . .	-	-	35,000
Total . . . . .	<b>14,199,352</b>	11,053,123	14,341,409

Secured liabilities (Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Short-term loans . . . . .	<b>900,000</b>	1,462,320	100,000
Long-term loans payable in 1 year . . . . .	<b>2,524,000</b>	244,320	1,214,190
Long-term loans . . . . .	<b>6,165,500</b>	4,920,330	6,952,500
Total . . . . .	<b>9,589,500</b>	6,626,970	8,266,690

3. Contingent liabilities

(Six months ended September 30, 2004)

Litigation

On September 17, 2003, the KAJIMA CORP. sought arbitration through the Hokkaido Council for Investigation on Construction Work Disputes on a dispute between KAJIMA and the Sanix regarding the payment of a contract price (399,000,000 yen), a modification cost (325,500,000 yen) and a cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant.

The Sanix withheld the payment of the contract price for the construction of pre-treatment facilities performed by KAJIMA CORP., because the designs and the performed work were defective. Regarding the cost of modification of the

mentioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

Furthermore, the KAJIMA CORP. filed with the Council a petition dated April 20, 2004 that claims against the Sanix payment of additional construction cost of 34,419,000 yen for the modification of the pre-treatment facilities in the Tomakomai Power Plant.

(Six months ended September 30, 2003)

#### Litigation

On September 17, 2003, 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 (325,500,000 yen) (399,000,000 yen), a modification cost and cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant. The Sanix withheld the payment of the contract price for the construction of pre-treatment facilities performed by the KAJIMA CORP, because the designs and the performed work were defective. Regarding the cost of modification of the aforementioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix Group does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

(Year ended March 31, 2004)

#### Litigation

On September 17, 2003, the KAJIMA CORP. sought arbitration through the Hokkaido Council for Investigation on Construction Work Disputes on a dispute between KAJIMA and the Sanix regarding the payment of a contract price (325,500,000 yen) (399,000,000 yen), a modification cost and cleaning cost (17,417,000 yen) for the construction work of the pre-treatment facilities in the Tomakomai Power Plant.

The Sanix withheld the payment of the contract price for the construction of pre-treatment facilities performed by KAJIMA CORP., because the designs and the performed work were defective. Regarding the cost of modification of the aforementioned facilities and the cleaning cost, we submitted a reply to the Council on November 5, 2003 that the Sanix does not have any obligation to pay those costs because the works were performed as part of the obligations to correct defects in the original construction work.

The Sanix filed with the Council a counterclaim dated December 5, 2003 to claim against KAJIMA CORP. compensation for damages resulting from the defects in the structures built under the construction contract.

Furthermore, KAJIMA CORP. filed with the Council a petition dated April 20, 2004 that claims against the Sanix payment of additional construction cost of 34,419,000 yen for the modification of the pre-treatment facilities in the Tomakomai Power Plant.

## Notes to Consolidated Statement of Income

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

	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Machinery, equipment and vehicles . . . . .	-	4,479	4,479
Other tangible fixed assets . . . . .	-	-	138
Total gain on sale of property, plant and equipment . . . . .	-	4,479	4,617

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

	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Machinery, equipment and vehicles . . . . .	-	1,058	10,140

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

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Buildings and structures . . . . .	5,228	7,354	7,938
Machinery, equipment and vehicles . . . . .	37,315	897	7,744
Other tangible fixed assets . . . . .	2,803	317	3,236
Total loss on disposal of property, plant and equipment . . . . .	45,346	8,569	18,919

## Notes to lease transactions

Relationship 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)		
	First Half		Full Year
	between April 1 and September 30		ended March 31, 2004
	FY2005	FY2004	FY2004
Machinery and Equipment			
Book Value . . . . .	<b>290,568</b>	537,082	416,798
Cumulative depreciation . . . . .	<b>197,184</b>	345,525	274,045
Value at end of half year . . . . .	<b>93,383</b>	191,556	142,752
Vehicles			
Book Value . . . . .	<b>1,092,313</b>	1,694,089	1,303,626
Cumulative depreciation . . . . .	<b>715,803</b>	1,016,012	791,251
Value at end of half year . . . . .	<b>376,509</b>	678,076	512,374
Others (Tool Function)			
Book Value . . . . .	<b>864,477</b>	1,006,440	854,857
Cumulative depreciation . . . . .	<b>694,888</b>	649,570	593,389
Value at end of half year . . . . .	<b>169,589</b>	356,870	261,468
Total			
Book Value . . . . .	<b>2,247,358</b>	3,237,611	2,575,282
Cumulative depreciation . . . . .	<b>1,607,876</b>	2,011,108	1,658,686
Value at end of half year . . . . .	<b>639,482</b>	1,226,503	916,595
Outstanding balance of future lease payments at the end of the period:			
Within one year . . . . .	<b>383,587</b>	597,763	493,171
Over one year . . . . .	<b>316,407</b>	678,393	465,119
Total . . . . .	<b>699,994</b>	1,276,156	958,290
Amount of lease fee payments, depreciation expense and interest expense:			
Lease fee payments . . . . .	<b>283,470</b>	362,735	704,753
Depreciation expense . . . . .	<b>256,947</b>	340,202	658,667
Interest expense . . . . .	<b>11,063</b>	18,787	34,001

Accounting 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 and the acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

# Supplement Information

## 1. Two-Year Summary

For the fiscal year ended March 31, 2005 (Consolidated)

(Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
FY2005				
Net sales . . . . .	11,748	<b>11,000</b>	—	—
Gross profit . . . . .	5,841	<b>5,197</b>	—	—
Operating income (loss) . . . . .	(181)	<b>(136)</b>	—	—
Recurring profit (loss) . . . . .	(182)	<b>(107)</b>	—	—
Income (loss) before income taxes . .	(175)	<b>(138)</b>	—	—
Net Income (loss) . . . . .	(219)	<b>(196)</b>	—	—

For the fiscal year ended March 31, 2004 (Consolidated)

(Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
FY2004				
Net sales . . . . .	11,649	11,886	11,015	9,436
Gross profit . . . . .	5,567	5,686	5,356	4,174
Operating income . . . . .	(1,865)	(1,220)	(361)	(1,251)
Recurring profit . . . . .	(1,826)	(1,236)	(350)	(1,248)
Income before income taxes . . . . .	(1,891)	(1,301)	(447)	(1,364)
Net Income . . . . .	(2,231)	(1,262)	(789)	(2,816)

For the fiscal year ended March 31, 2005 (Non-consolidated)

(Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
FY2005				
Net sales . . . . .	11,310	<b>10,599</b>	—	—
Gross profit . . . . .	5,798	<b>5,493</b>	—	—
Operating income (loss) . . . . .	(122)	<b>250</b>	—	—
Recurring profit (loss) . . . . .	(331)	<b>30</b>	—	—
Income (loss) before income taxes . .	(324)	<b>(0)</b>	—	—
Net Income (loss) . . . . .	(354)	<b>(30)</b>	—	—

For the fiscal year ended March 31, 2004 (Non-consolidated)

(Millions of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
FY2004				
Net sales . . . . .	11,567	11,771	10,753	8,999
Gross profit . . . . .	5,804	5,852	5,398	4,403
Operating income . . . . .	(1,521)	(945)	(237)	(904)
Recurring profit . . . . .	(1,704)	(1,205)	(488)	(1,182)
Income before income taxes . . . . .	(1,769)	(1,265)	(585)	(1,614)
Net Income . . . . .	(2,092)	(1,213)	(910)	(3,064)

## 2.Segment Information by type of business

For the fiscal year ended March 31, 2005

(Thousands of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
<b>Home Sanitation Division</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers . . . . .	7,410,762	<b>6,768,324</b>	-	-
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-
Total . . . . .	7,410,762	<b>6,768,324</b>	-	-
Operating expenses . . . . .	6,056,356	<b>5,448,639</b>	-	-
Operating income(loss) . . . . .	1,354,405	<b>1,319,684</b>	-	-
<b>Establishnebt Sanitation Division</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers . . . . .	1,820,755	<b>1,723,486</b>	-	-
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-
Total . . . . .	1,820,755	<b>1,723,486</b>	-	-
Operating expenses . . . . .	1,705,069	<b>1,575,405</b>	-	-
Operating income(loss) . . . . .	115,685	<b>148,081</b>	-	-
<b>Environmental Resources Development Divisor</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers . . . . .	2,516,576	<b>2,508,608</b>	-	-
(2)Internal sales among segments and transfer accounts. . . . .	191	<b>213</b>	-	-
Total . . . . .	2,516,768	<b>2,508,821</b>	-	-
Operating expenses . . . . .	3,308,633	<b>3,318,868</b>	-	-
Operating income(loss) . . . . .	(791,865)	<b>(810,046)</b>	-	-
<b>Elimination or Group</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers . . . . .	-	-	-	-
(2)Internal sales among segments and transfer accounts. . . . .	(191)	<b>(213)</b>	-	-
Total . . . . .	(191)	<b>(213)</b>	-	-
Operating expenses . . . . .	859,568	<b>794,483</b>	-	-
Operating income(loss) . . . . .	(859,759)	<b>(794,696)</b>	-	-
<b>Consolidated</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers . . . . .	11,748,094	<b>11,000,420</b>	-	-
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-
Total . . . . .	11,748,094	<b>11,000,420</b>	-	-
Operating expenses . . . . .	11,929,627	<b>11,137,397</b>	-	-
Operating income(loss) . . . . .	(181,533)	<b>(136,976)</b>	-	-

For the fiscal year ended March 31, 2003

(Thousands of Yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Apr. 1 to Jun. 30	Jul. 1 to Sep. 30	Oct. 1 to Dec. 31	Jan. 1 to Mar. 31
<b>Home Sanitation Division</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers .....	7,602,376	7,843,581	6,749,708	5,863,539
(2)Internal sales among segments and transfer accounts .....	-	-	-	-
Total .....	7,602,376	7,843,581	6,749,708	5,863,539
Operating expenses .....	7,466,580	6,828,588	5,606,000	5,065,018
Operating income(loss) .....	135,796	1,014,993	1,143,708	798,520
<b>Establishnebt Sanitation Division</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers .....	2,009,758	2,006,471	1,934,542	1,240,340
(2)Internal sales among segments and transfer accounts .....	-	-	-	-
Total .....	2,009,758	2,006,471	1,934,542	1,240,340
Operating expenses .....	2,029,867	2,148,370	1,907,451	1,362,147
Operating income(loss) .....	(20,109)	(141,898)	27,090	(121,807)
<b>Environmental Resources Development Division</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers .....	2,037,100	2,036,350	2,331,126	2,332,319
(2)Internal sales among segments and transfer accounts .....	213	188	185	181
Total .....	2,037,313	2,036,538	2,331,311	2,332,501
Operating expenses .....	3,207,963	3,154,377	3,063,580	3,358,519
Operating income(loss) .....	(1,170,649)	(1,117,839)	(732,268)	(1,026,018)
<b>Elimination or Group</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers .....	-	-	-	-
(2)Internal sales among segments and transfer accounts .....	(213)	(188)	(185)	(181)
Total .....	(213)	(188)	(185)	(181)
Operating expenses .....	809,841	975,370	800,147	902,315
Operating income(loss) .....	(810,054)	(975,558)	(800,332)	(902,497)
<b>Consolidated</b>				
Sales, operating profit or loss				
Sales:				
(1)Sales to customers .....	11,649,235	11,886,403	11,015,376	9,436,198
(2)Internal sales among segments and transfer accounts .....	-	-	-	-
Total .....	11,649,235	11,886,403	11,015,376	9,436,198
Operating expenses .....	13,514,252	13,106,706	11,377,178	10,688,002
Operating income(loss) .....	(1,865,017)	(1,220,303)	(361,802)	(1,251,803)