SANIX

SANIX INCORPORATED

Consolidated/Non-Consolidated

Financial Summary

For the 9 and 3 months ended December 31, 2004

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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.

February 9, 2005

Consolidated Financial Statements

For the 9 and 3 months ended December 31, 2004

SANIX INCORPORATED

Stock Listed:	Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange
Code No.:	4651
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President and CEO:	Shin-ichi Munemasa
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Use of simplified accounting methods: None

Change in accounting methods from recent fiscal years: None

Change in application range of consolidation and equity method: Number of newly consolidated company: 1

Consolidated Financial Highlights for the 9 months ended December 31, 2004

(April 1, 2004 to December 31, 2004)

(1) Consolidated Operating Results

(Millions of Yen)

	3rd Quarter - 9 months between April 1 and December 31				Full Year ended March 31, 2004
	FY2005	**% change**	FY2004	% change	FY2004
Net Sales	**33,171**	**(4.0%)**	34,551	(14.7%)	43,987
Operating Income	**(563)**	-	(3,447)	-	(4,698)
Recurring Profit	**(538)**	-	(3,413)	-	(4,661)
Net Income	**(698)**	-	(4,283)	-	(7,099)
Net Income per Share(¥)	**(¥17.60)**	-	(¥107.84)	-	(¥178.77)
Net Income per Share, Diluted(¥)	-	-	-	-	-

Note: Percentages shown for net sales, operating income, recurring profit and net income are the increase and decrease compared with the prior corresponding period.

(2) Consolidated Financial Position

(Millions of Yen)

	3rd Quarter as of December 31		Full Year as of March 31, 2004
	FY2005	FY2004	FY2004
Total Assets	**52,488**	58,892	55,245
Shareholders' Equity	**30,311**	34,191	31,377
Shareholders' Equity Ratio (%)	**57.7%**	58.1%	56.8%
Shareholders' Equity per Share (¥)	**¥763.21**	¥860.89	¥790.01

(3) Consolidated Financial Cash Flows

(Millions of Yen)

	3rd Quarter between April 1 and December 31		Full Year ended March 31, 2004
	FY2005	FY2004	FY2004
Cash Flows from Operating Activities	**1,602**	(81)	(647)
Cash Flows from Investing Activities	**187**	(848)	(866)
Cash Flows from Financing Activities	**(1,233)**	1,439	755
Balance of Cash and Cash Equivalents at End of Period	**2,036**	2,747	1,479

(4) Forecasts for Consolidated Business Results

For the fiscal year ending March 31, 2005

(Millions of Yen)

	Full Year ending March 31 FY2005
Net Sales	43,841
Recurring Profit	(526)
Net Income	(763)
Net Income per Share(¥)	(¥19.23)

Note: 1) The above forecast was revised from the original forecast announced on November 17, 2004. Please refer to "Forecast for Operation Results" on pages 5-6.

2) 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.

Business Results

For the third quarter ended December 31, 2004

(1) Earnings

During the third quarter ended December 31, 2004, the Japanese economy remained on track for recovery, supported by improved corporate performance and expanded capital expenditures, though some signs of slowing are being seen in IT businesses such as inventory and production adjustment.

In the environmental sanitation industry, people's interest in the maintenance of houses, apartments and buildings remains very strong, but consumers have become more severe in selecting a service provider. To be chosen by such demanding customers, we needed greater appeal and selling power for our products, enhanced ability of sales representatives to respond to customers' requests, and a more customer-oriented marketing attitude.

Under these circumstances, the SANIX Group continued efforts to turn its businesses into profitable operations. Measures for productivity improvement and cost reduction and other serious organizational reforms were implemented to streamline operations. Especially, the Home Sanitation (HS) Division promoted strengthening the ability to develop new customers to increase sales productivity per capita. At the same time, it promoted improvement of customer satisfaction by establishing a customer relations management system. In the Environmental Resources Development Division, the SANIX Energy Tomakomai Power Plant (Tomakomai, Hokkaido) has striven for stable operation and an increase in its power sales volume. In addition, the ERD Division strove to improve profitability of resource-recycling power generation systems by increasing sales revenues from the business of processing waste plastic into fuel for power generation.

Consequently, sales for the HS Division and sales for the ES Division decreased from the same period in the previous year. On the other hand, sales for the ERD Division increased. Sales for the entire Group decreased 4.0% to 33,171 million yen. The HS Division and ES Division recorded an increase in operating profit supported by cost reductions achieved from streamlining efforts. The ERD Division reduced its operating losses through the growth in electric power sales and reduction of expenses needed for facility adjustments. As a result, recurring loss for the third quarter was 538 million yen and net loss was 698 million yen (3,413 million yen and 4,283 million yen in the previous year, respectively).

Earnings of individual divisions during the third quarter (October 1 to December 31, 2004) were as follows:

Earnings of individual divisions:

Home Sanitation Division

Sales for the HS Division dropped 9.2% to 6,130 million yen from the same period in the previous year. The HS Division focused on increasing contact opportunities with customers, promoting close communications during sales activities. It also strengthened the ability of sales representatives to develop new markets. As a result, sales per capita increased. However, the impact of the reduction of sales representatives was not totally offset by these efforts. Consequently, sales for the Division decreased from the same period last year.

Operating profit decreased to 934 million yen (from 1,143 million yen during the same period in the previous year) mainly due to a sharp decrease in sales revenue, which was partially offset by cost reductions achieved through improved productivity and streamlined operations. The ratio of operating profit to sales decreased to 15.2% (compared to 16.9% in the same period of the previous year). Operating profit for the nine months from April to December 2004 increased 57.3% to 3,608 million yen (compared

to 2,294 million yen in the same period of the previous year), supported by improved sales productivity, streamlining of operations through sales office consolidations and closings, and other cost reduction efforts.

Establishment Sanitation Division

Sales for the ES Division declined 17.2% from the same period in the previous year to 1,601 million yen. In accordance with its policy to pursue only profitable operations by selecting the best players, the ES Division consolidated and closed a number of sales offices in spring 2004. However, as in the HS Division, the impact of the reduction of sales representatives was not totally offset by these efforts. Consequently, sales for the Division decreased from the same period last year.

The ES Division achieved remarkable growth in operating profit, mainly as a result of increased sales per capita compared to the same period in the previous year, which reduced the ratio of labor cost to sales. A reduction of fixed costs achieved through the consolidation and closing of certain sales offices and other measures also contributed to this improvement. Consequently, operating profit increased 154.9% to 69 million yen from 27 million yen in the same period of the previous year. Operating profit for the nine months from April to December 2004 increased to 332 million yen (compared with an operating loss of 134 million yen in the same period of the previous year), supported by improved sales productivity, streamlining of operations through sales office consolidations and closings, and other cost reduction efforts.

Environmental Resources Development Division

Sales for the ERD Division grew to 2,690 million yen, an increase of 15.4% compared to the same period in the previous year. The operating ratio of the SANIX Energy Tomakomai Power Plant was stabilized and improved through regular inspections and major modifications implemented in the second quarter. As a result, revenues from power sales increased 115.3% over the same period in the previous year. Revenues from the waste plastic processing business also increased 4.8% 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 the Hibiki Plant (Kitakyushu, Fukuoka) increased 32.0% over the same period in the previous year.
The ERD Division achieved reduced loss mainly through sales growth in the power generation and other businesses and cost reductions at the Tomakomai Plant. The level of its operating loss was reduced to 475 million yen (compared to an operating loss of 732 million yen in the same period of the previous year). For the nine months from April to December 2004, the Division reduced the level of its operating loss to 2,077 million yen (compared with an operating loss of 3,020 million yen in the same period of the previous year).

(2) Financial Conditions

Total assets at the end of the third quarter ended December 31, 2004 came to 52,488 million yen, 2,756 million yen less than the previous year. Total liability reached 22,165 million yen, 1,702 million yen less than the previous year-end. Shareholders' equity totaled 30,311 million yen, 1,065 million yen less compared to the previous year-end. Consequently, the shareholders' equity ratio as of December 31, 2004 came to 57.7%, compared to 56.8% as of March 31, 2004.

Current assets decreased 33 million yen to 6,297 million yen. Fixed assets totaled 46,190 million yen, which was 2,722 million yen less than the previous fiscal year-end. Tangible fixed assets totaled 42,851 million yen, which was 2,332 million yen less than the previous fiscal year-end. Machinery and vehicles decreased by 1,658 million yen, buildings and structures decreased by 665 million yen due to recognition of depreciation expenses. Investments and other assets reached 3,256 million yen, 389 million yen down from the previous year. The major factor affecting this decrease was the decrease in deposits and guaranty by 382 million yen.

Current liabilities increased 397 million yen from the previous year-end to 13,501 million yen. Short-term loans payable increased by 1,300 million yen. Allowance for resource-recycling expenses decreased by 270 million yen and amounts in arrears decreased by 429 million yen. Non-current liabilities amounted to 8,664 million yen, which was 2,099 million yen less than the previous year. Long-term loans payable decreased by 1,959 million yen and corporate bonds decreased by 100 million yen. Interest-bearing liabilities decreased by 842 million yen to 14,020 million yen as a result of accelerated repayment of certain loans. Shareholders' equity totaled 30,311 million yen, 1,065 million yen less than the preceding period, due to the payment of dividends as part of appropriations for surplus and net loss posted this third quarter.

(3) Cash Flow

As of December 31, 2004, cash and cash equivalents totaled 2,036 million yen on a consolidated basis, an increase of 556 million yen over the previous year-end, supported mainly by improved operating cash flow resulting from improvement in the profit and loss status.

Cash flow provided by operating activities totaled 1,602 million yen, an increase of 1,683 million yen from the same period in the previous year. The main factors contributing to this increase were: streamlining of operations from sales office consolidations and closings; enhanced marketing productivity; improved profitability achieved through cost reduction efforts, and a sharp reduction of net loss before taxes and minority interest. Net cash provided from investing activities amounted to 187 million yen (an increase from the same period in the previous year in which net cash of 848 million yen was used). The major factors affecting this increase were: receipts of refunds of deposits and guaranty, and proceeds from sales of securities. Net cash used for financing activities totaled 1,233 million yen, a decrease from the same period in the previous year in which net cash of 1,439 million yen was provided. This decrease primarily resulted from the repayment of debts.

(4) Forecast for Operation Results

With enforcement of the revised Specific Commercial Transactions Law on November 2004, whose aim is to strengthen consumer protection, it is expected that consumers will become more severe in selecting service providers. Under such circumstances, the Company believes that it should put more focus on customer-oriented marketing and improve the quality of its employees.

Under these circumstances, although some unpredictability remains regarding sales recovery, we will continue our efforts to become a reliable company for consumers, as a leader in the industry. We will also promote streamlining and improvement of our operations efficiency such as improved productivity and cost reduction, in order to return to profitable operations. As part of these efforts, in January 2005 the HS Division implemented consolidation and closing of 7 sales offices, after closing 17 sales offices last spring, with the aim of eliminating overlapping marketing areas of sales offices and improving overall operational efficiency, taking the profitability of individual sales offices into consideration. In the Environmental Resources Development Division, the operating ratio of the Tomakomai Power Plant significantly impacts the profit and loss status of the entire Division. We believe that the operating loss of the Division can be reduced and that an operating profit can be recorded in turn by maintaining stable and high-efficiency operation of the Plant, and by increasing revenues from the processing of waste plastic into fuel for power plants.

However, we do not expect that the original consolidated sales projection for the year ending March 31, 2005 will be achieved, since the HS Division and ES Division will need considerable time to increase the number of sales representatives while maintaining their overall sales productivity. Although reduction of selling, general and administrative expenses and other fixed costs has progressed as originally scheduled, sales are expected to be less than projected in the HS Division, where the marginal

profit ratio is high. In addition, renovations were started on the processing line at the Hibiki Plant (organic liquid waste processing business) during the third quarter with an aim at increasing processing volume of highly concentrated organic liquid waste. As a result, we expect that a recurring loss will be recorded in the year ending March 31, 2005. Consequently, we expect that a net loss will be recorded in the year ending March 31, 2005. Accordingly, the projections for operational results previously announced are modified. The projected non-consolidated operating results are also modified for the same reasons.

Details of the revisions

1) Revision to full-year consolidated results forecast (April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Revised Forecast	Previous Forecast as of November 17, 2004	Difference	% Change	FY2004 ended March 31, 2004
Net Sales.	**43,841**	44,548	(707)	(1.6%)	43,987
Recurring Profit. .	**(526)**	440	(966)	-	(4,661)
Net Income.	**(763)**	234	(997)	-	(7,099)

2) Revision to full-year non-consolidated results forecast (April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Revised Forecast	Previous Forecast as of November 17, 2004	Difference	% Change	FY2004 ended March 31, 2004
Net Sales.	**41,700**	42,430	(730)	(1.7%)	43,091
Recurring Profit. .	**(680)**	270	(950)	-	(4,581)
Net Income.	**(830)**	120	(950)	-	(5,581)

Consolidated Financial Statements

1. Consolidated Balance Sheet

(Thousands of Yen)

Assets:	As of Dec. 31 FY2005	As of March 31 FY2004	Increase/Decrease Amount	Increase/Decrease Ratio %	As of Dec. 31 FY2004
Current Assets:					
Cash and bank deposits	**2,083,186**	1,546,346	536,839		2,792,812
Notes and accounts receivable	**2,559,848**	3,095,980	(536,132)		3,361,261
Inventories	**1,217,073**	1,249,360	(32,287)		1,178,794
Deferred tax assets	**16,132**	19,857	(3,725)		461,820
Other current assets	**472,681**	479,215	(6,534)		474,254
Allowance for doubtful accounts	**(51,001)**	(58,980)	7,979		(116,505)
Total Current Assets:	**6,297,918**	6,331,779	(33,860)	(0.5)	8,152,438
Fixed Assets:					
Tangible Fixed Assets:					
Buildings and structures	**9,994,444**	10,659,930	(665,485)		10,904,777
Machinery, equipment and vehicles	**14,337,080**	15,995,240	(1,658,159)		16,273,850
Land	**18,295,174**	18,295,174	—		18,289,348
Construction in progress	**4,515**	—	4,515		485,080
Other tangible fixed assets	**220,385**	233,512	(13,127)		238,573
Total Tangible Fixed Assets:	**42,851,600**	45,183,858	(2,332,258)	(5.2)	46,191,632
Intangible Fixed Assets:					
Total Intangible Fixed Assets:	**82,488**	83,254	(766)	(0.9)	83,570
Investments and Other Assets:					
Investments in securities	**1,114,355**	1,184,712	(70,357)		1,099,998
Deposits and guaranty	**1,444,601**	1,826,746	(382,145)		1,846,572
Deferred tax assets	**12,681**	10,379	2,302		952,237
Other	**1,087,518**	1,107,108	(19,590)		1,048,812
Allowance for bad loans	**(402,560)**	(482,509)	79,949		(482,509)
Total Investments and Other Assets:	**3,256,596**	3,646,437	(389,841)	(10.7)	4,465,112
Total Fixed Assets:	**46,190,685**	48,913,551	(2,722,865)	(5.6)	50,740,315
Total Assets:	**52,488,604**	55,245,330	(2,756,725)	(5.0)	58,892,753

(Thousands of Yen)

Liabilities and Shareholders' Equity:	As of Dec. 31 FY2005	As of March 31 FY2004	Increase/Decrease Amount	Increase/Decrease Ratio %	As of Dec. 31 FY2004
Current Liabilities:					
Notes and accounts payable	**1,044,693**	945,027	99,665		939,693
Short-term loans	**4,680,000**	3,380,000	1,300,000		6,170,000
Long-term loans payable in 1 year	**2,753,304**	2,835,990	(82,686)		2,288,870
Corporated bond payable in 1 year	**200,000**	200,000	—		200,000
Amounts in arrears	**1,785,877**	2,215,003	(429,126)		2,202,194
Accrued expenses	**1,411,108**	1,372,481	38,627		1,548,079
Accrued income taxes	**226,221**	179,599	46,621		131,888
Consumption tax payable	**384,578**	522,792	(138,214)		497,383
Accrued bonuses	**5,787**	250,146	(244,358)		6,342
Allowance for resource-recycling expenses	**599,351**	869,782	(270,430)		1,000,257
Other current liabilities	**410,906**	333,724	77,181		499,306
Total Current Liabilities:	**13,501,828**	13,104,548	397,280	3.0	15,484,015
Non-Current Liabilities:					
Corporated Bond	**600,000**	700,000	(100,000)		800,000
Long-term debt	**5,787,029**	7,746,900	(1,959,871)		6,086,300
Deferred tax liabilities	**43,362**	22,314	21,048		—
Retirement benefit	**1,660,515**	1,640,544	19,971		1,667,131
Other non-current liabilities	**573,114**	653,984	(80,870)		663,753
Total Non-Current Liabilities:	**8,664,021**	10,763,743	(2,099,722)	(19.5)	9,217,184
Total Liabilities:	**22,165,850**	23,868,291	(1,702,441)	(7.1)	24,701,199
Minority Interest:					
Minority interest	**11,691**	—	11,691	—	—
Shareholders' Equity:					
Capital Fund	**12,533,820**	12,533,820	—	—	12,533,820
Additional paid-in capital	**15,853,954**	15,853,954	—	—	15,853,954
Accumulated earnings	**3,466,978**	4,563,507	(1,096,529)	(24.0)	7,380,187
Difference in valuation of other marketable securities	**65,110**	33,515	31,594	94.3	31,311
Less treasury stock at cost	**(1,608,799)**	(1,607,758)	(1,041)	0.1	(1,607,719)
Total Shareholders' Equity:	**30,311,062**	31,377,038	(1,065,975)	(3.4)	34,191,553
Total Liabilities, Minority Interests and Stockholders Equity:	**52,488,604**	55,245,330	(2,756,725)	(5.0)	58,892,753

2. Consolidated Statement of Income

(Thousands of Yen)

	3rd quarter				Full Year
	from April 1 to December 31		Increase/Decrease		ended March 31
	FY2005	FY2004	Amount	Ratio %	FY2004
Net sales	**33,171,022**	34,551,015	(1,379,992)	(4.0)	43,987,214
Cost of sales	**17,276,007**	17,940,327	(664,319)	(3.7)	23,202,445
Gross profit	**15,895,014**	16,610,687	(715,672)	(4.3)	20,784,768
Selling, general and administrative expenses	**16,458,211**	20,057,810	(3,599,599)	(17.9)	25,483,694
Operating income(loss)	**(563,196)**	(3,447,123)	2,883,926	—	(4,698,926)
Non-operating income:					
Interest income	**6,771**	6,552	219		8,736
Dividend income	**17,969**	8,969	9,000		9,424
Rent Revenue	**238,722**	203,666	35,055		275,085
Other non-operating income	**66,283**	89,330	(23,046)		120,076
Total non-operating income	**329,746**	308,518	21,228	6.9	413,323
Non-operating expenses:					
Interest expenses	**192,588**	148,750	43,838		214,431
Bond issue expenses	**—**	26,000	(26,000)		26,000
Rent expense	**105,862**	92,179	13,683		123,048
Other non-operating expenses	**6,179**	7,705	(1,525)		12,596
Total non-operating expenses	**304,630**	274,634	29,995	10.9	376,076
Recurring profit (loss)	**(538,080)**	(3,413,239)	2,875,159	—	(4,661,679)
Extraordinary income:					
Gain on sale of fixed assets	**—**	4,617	(4,617)		4,617
Insurance money received	**5,267**	3,451	1,815		3,451
Gain on sale of investment securities	**59,975**	21,101	38,874		21,101
Transfer from reserve for possible loan losses	**3,591**	—	3,591		—
Total extraordinary income	**68,833**	29,169	39,663	136.0	29,169
Extraordinary losses:					
Loss on sale of property, plant and equipment	**—**	10,140	(10,140)		10,140
Loss on disposal of property, plant and equipment	**56,181**	15,022	41,158		25,173
Loss on cancellation of lease contract	**5,264**	3,504	1,760		7,455
Loss on sales of investments in securities	**—**	54,690	(54,690)		54,873
Loss on valuation of investments in securities	**—**	146,918	(146,918)		35,878
Loss on valuation of membership rights	**—**	19,780	(19,780)		19,780
Director's retirement allowance	**32,110**	6,090	26,020		6,090
Reorganization of offices expense	**—**	—	—		212,565
Total extraordinary losses	**93,555**	256,145	(162,590)	(63.5)	371,956
Income (loss) before income taxes and minority interests	**(562,801)**	(3,640,215)	3,077,413	—	(5,004,466)
Corporate income, local and enterprise taxes	**129,464**	152,394	(22,929)	(15.0)	200,157
Adjustment on corporate tax, etc	**1,405**	490,455	(489,049)	(99.7)	1,895,121
Minority interests in consolidated subsidiaries	**5,191**	—	5,191	—	—
Net income (loss)	**(698,863)**	(4,283,064)	3,584,201	—	(7,099,745)

3. Consolidated Statement of Retained Earnings

(Thousands of Yen)

	3rd Quarter from April 1 to December 31		Full Year ended March 31
	FY2005	FY2004	FY2004
(Additional paid-in capital)			
I. Additional paid-in capital at the beginning of the fiscal term	**15,853,954**	15,853,954	15,853,954
II. Additional paid-in capital at the end of the fiscal term	**15,853,954**	15,853,954	15,853,954
(Retained earnings)			
I. Retained earnings at the beginning of the fiscal term	**4,563,507**	12,060,428	12,060,428
II. Decrease in retained earnings			
Dividend	**397,165**	397,176	397,176
Directors' bonus	**500**	—	—
Net loss	**698,863**	4,283,064	7,099,745
III. Retained earnings at the end of the term	**3,466,978**	7,380,187	4,563,507

4. Consolidated Cash Flow Statement

(Thousands of Yen)

	3rd Quarter (April 1 to Dec. 31)		Full Year(April 1 to March 31)
	FY2005	FY2004	FY2004
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**(562,801)**	(3,640,215)	(5,004,466)
Depreciation and amortization	**2,486,775**	2,825,711	3,876,642
Increase/decrease in allowance for retirement benefits	**19,971**	(22,963)	(49,550)
Decrease in allowance for recycling costs	**(270,430)**	(467,894)	(598,369)
Increase/decrease in allowance for doubtful accounts	**(87,928)**	71,877	14,352
Interest and dividend income	**(24,740)**	(15,521)	(18,161)
Interest expense	**192,588**	148,750	214,431
Bond issue expense	**—**	26,000	26,000
Commission expense paid	**35**	2,107	4,904
Gain on sales of short-term investments in securities	**(59,975)**	(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	**—**	146,918	35,878
Loss on valuation of membership right	**—**	19,780	19,780
Gain on sale of property, plant and equipment	**—**	(4,617)	(4,617)
Loss on sale of proprety, plant and equipment	**—**	10,140	10,140
Loss on disposal of property, plant and equipment	**56,181**	15,022	25,173
Loss on reorganization of offices expense	**—**	—	212,565
Decrease in notes and accounts receivable-trade	**536,132**	44,248	309,529
Decrease in inventories	**32,287**	295,372	224,806
Increase/decrease in other current assets	**(22,653)**	407,672	314,764
Increase in notes and accounts payable-trade	**99,665**	199,067	204,402
Increase/decrease in consumption taxes payable	**(103,091)**	423,411	515,513
Increase/decrease in other current liabilities	**(331,790)**	(644,014)	(948,097)
Payment of bonuses to directors and auditors	**(500)**	—	—
Other	**7,565**	(152,802)	(207,006)
Net	**1,967,290**	(278,359)	(787,612)
Interest and dividend income received	**19,220**	15,521	17,715
Interest expense paid	**(199,423)**	(163,652)	(223,106)
Income taxes paid	**(194,739)**	(95,709)	(95,760)
Refunded corporate tax	**9,837**	441,138	441,138
Net cash provided by operating activities:	**1,602,184**	(81,062)	(647,624)
Cash Flows from Investing Activities:			
Increase/decrease in time deposit	**20,000**	(1,500)	(23,500)
Proceeds from sales of securities	**202,963**	365,011	395,250
Payment for purchases of securities	**(20,000)**	(80,866)	(30,845)
Proceeds from sale of property, plant and equipment	**—**	22,174	23,539
Payment for purchases of property, plant and equipment	**(382,903)**	(1,288,063)	(1,307,916)
Proceeds from refunds of deposits and guaranty	**433,460**	—	—
Other	**65,776**	134,463	76,530
Net cash provided by investing activities:	**187,743**	(848,780)	(866,940)
Cash Flows from Financing Activities:			
Increase/decrease in short-term borrowings	**1,300,000**	(2,480,000)	(6,770,000)
Proceeds from long-term loans	**100,000**	6,200,000	9,245,400
Repayment of long-term loans	**(2,142,557)**	(2,851,840)	(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 company	**6,500**	—	—
Increase/decrease in treasury stock	**(1,041)**	(732)	(771)
Dividends paid	**(395,954)**	(398,552)	(398,905)
Other	**(35)**	(71)	(1,144)
Net cash provided by financing activities:	**(1,233,088)**	1,439,043	755,298
Effect of exchange rate changes on cash and cash equivalents	**0**	0	0
Net increase/decrease in cash and cash equivalents	**556,839**	509,200	(759,266)
Cash and cash equivalents at beginning of the fiscal term	**1,479,346**	2,238,612	2,238,612
Cash and cash equivalents at the end of the fiscal term	**2,036,186**	2,747,812	1,479,346

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 9 month ended December 31,2004 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.

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.

①Short-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

②Inventories:

Finished products, products in progress and materials: Cost method computed by moving average method

Stored goods: The latest purchase cost method

(2) Depreciation methods for depreciable assets.

①Tangible 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

②Intangible 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).

③Long-term prepaid expenses: Straight-line method

(3) Accounting standards for allowances and reserves

①Allowance 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.

②Provision 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.

③Allowance for retirement benefits for employees: In order to provide for retirement allowances the company accrues an amount equivalent to the amount that would be paid if the payment occurred at the end of the current consolidated accounting period, based on the projected amount of retirement allowance liabilities and pension assets at the end of the consolidated accounting fiscal year. Furthermore, the Company will treat the entire variance at the time the accounting standards were changed as a one-off expense during the next consolidated accounting period.

④Allowance 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 3rd quarter.

(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

①Method 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.

②Hedging arrangements and transactions to be hedged

(Hedging arrangement) Interest rate swap contracts

(Transactions to be hedged) Interest on borrowings

③Hedging 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.

④Assessment 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)

	9 months as of December 31		Full Year as of March 31, 2004
	FY2005	FY2004	FY2004
Total accumulated depreciation for tangible fixed assets.	**15,470,818**	12,016,250	13,061,669

2. Number of shares of treasury stock (Shares)

	9 months as of December 31		Full Year as of March 31, 2004
	FY2005	FY2004	FY2004
Number of shares of treasury stock.	**1,205,484**	1,204,054	1,204,154

Notes to Consolidated Statement of Cash Flows

1. Relationship between balance of cash and cash equivalents at the end of period and value of items stated on the consolidated balance sheets.

(Thousands of Yen)

	9 months between April 1 and December 31		Full Year ended March 31, 2004
	FY2005	FY2004	FY2004
Cash and bank deposits.	**2,083,186**	2,792,812	1,546,346
Time deposits exceeding 3 months.	**(47,000)**	(45,000)	(67,000)
Cash and cash equivalents	**2,036,186**	2,747,812	1,479,346

Segment Information

1. Segment Information by type of business

Current third quarter – 9 months (From April 1, 2004 to December 31, 2004)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers	20,309,290	5,146,097	7,715,633	33,171,022	—	33,171,022
(2)Internal sales among segments and transfer accounts.	—	—	585	585	(585)	—
Total	20,309,290	5,146,097	7,716,219	33,171,608	(585)	33,171,022
Operating expenses	16,700,507	4,813,267	9,793,735	31,307,509	2,426,709	33,734,218
Operating income(loss)	3,608,783	332,830	(2,077,515)	1,864,099	(2,427,295)	(563,196)

Prior third quarter – 9 months (From April 1, 2003 to December 31, 2003)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers	22,195,666	5,950,771	6,404,576	34,551,015	—	34,551,015
(2)Internal sales among segments and transfer accounts.	—	—	586	586	(586)	—
Total	22,195,666	5,950,771	6,405,163	34,551,601	(586)	34,551,015
Operating expenses	19,901,169	6,085,689	9,425,921	35,412,779	2,585,358	37,998,138
Operating income(loss)	2,294,497	(134,917)	(3,020,757)	(861,177)	(2,585,945)	(3,447,123)

Prior fiscal year accounting period (April1, 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.

9 months ended December 31, 2004 . . . . . .¥2,427,295 thousand

9 months ended December 31, 2003 . . . . . .¥2,585,945 thousand

12 months ended March 31, 2004 . . . . . .¥3,488,442 thousand

2.Segment information by location

9 months ended December 31, 2004 (April 1, 2004 to December 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.

9 months ended December 31, 2003 (April 1, 2003 to December 31, 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.

2. 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.

Net Sales by Division

(Thousands of Yen)

	3rd Quarter from April 1 to December 31		Changes	Full Year ended March 31
	FY2005	FY2004		FY2004
Termite Eradication Service	**8,268,391**	8,845,062	(576,670)	10,990,478
Under-Roof/Floor Ventilation System	**6,486,729**	7,098,339	(611,610)	9,014,949
Home Reinforcement System	**2,649,584**	3,076,501	(426,916)	4,063,597
Other	**2,904,585**	3,175,762	(271,177)	3,990,179
Home Sanitation Division Total:	**20,309,290**	22,195,666	(1,886,375)	28,059,205
Water activator installation	**2,041,267**	2,216,749	(175,482)	2,871,543
Repair of building water-works	**1,095,112**	1,085,166	9,945	1,320,638
Waterproofing of building	**977,183**	2,648,855	(639,137)	2,998,930
Other	**1,032,534**			
Establishment Sanitation Division Total:	**5,146,097**	5,950,771	(804,673)	7,191,111
Industrial Waste (Waste plastic processing)	**3,644,857**	3,202,947	441,910	4,245,211
Industrial waste (Organic Waste Water Recycle)	**1,314,781**	1,071,608	243,173	1,419,166
Generation of electricity	**1,276,703**	450,594	826,109	874,128
Industrial waste (Incineration)	**886,175**	1,103,890	(217,714)	1,448,769
Other	**593,115**	575,536	17,578	749,620
Environmental Resources Development Division Total:	**7,715,633**	6,404,576	1,311,056	8,736,896
Total Net Sales:	**33,171,022**	34,551,015	(1,379,992)	43,987,214

February 9, 2005

Financial Statements

For the 9 and 3 months ended December 31, 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

Use of simplified accounting methods: None

Change in accounting methods from recent fiscal years: None

Non-Consolidated Financial Highlights for the 9 months ended December 31, 2005

(April 1, 2004 to December 31, 2004)

(1) Non-Consolidated Operating Results

(Millions of Yen)

	3rd Quarter - 9 months between April 1 and December 31				Full Year ended March 31
	FY2005	**% change**	FY2004	% change	FY2004
Net Sales	**31,682**	**(7.1%)**	34,091	(15.7%)	43,091
Operating Income	**58**	**-**	(2,704)	-	(3,609)
Recurring Profit	**(612)**	**-**	(3,399)	-	(4,581)
Net Income	**(727)**	**-**	(4,216)	-	(7,281)
Net Income per Share(¥)	**(¥18.32)**	**-**	(¥106.17)	-	(¥183.32)

Note: Percentages shown for net sales, operating income, recurring profit and net income are the increase and decrease compared with the prior corresponding period.

(2) Non-Consolidated Financial Position

(Millions of Yen)

	3rd Quarter as of December 31		Full Year as of March 31, 2004
	FY2005	FY2004	FY2004
Total Assets	**51,477**	58,433	54,483
Shareholders' Equity	**29,899**	34,055	30,993
Shareholders' Equity Ratio (%)	**58.1%**	58.3%	56.9%
Shareholders' Equity per Share (¥)	**¥752.84**	¥857.46	¥780.36

(3) 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	41,700
Recurring Profit	(680)
Net Income	(830)
Net Income per Share(¥)	(¥20.90)

Note: 1) The above forecast was revised from the original forecast announced on November 17, 2004. Please refer to "Forecast for Operation results" on pages 5-6.

2) 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 Financial Statements

1.Non-Consolidated Balance Sheet

(Thousands of Yen)

	As of Dec. 31	As of March 31	Increase/Decrease		As of Dec. 31
Assets:	**FY2005**	FY2004	Amount	Ratio %	FY2004
Current Assets:					
Cash and bank deposits	**1,601,620**	1,234,067	367,553		2,328,009
Note receivable	**133,576**	123,820	9,756		129,197
Accounts receivable	**2,173,066**	2,817,515	644,448		3,136,717
Inventories	**1,011,880**	1,030,360	(18,480)		1,045,893
Deferred tax assets	**—**	—	—		442,675
Other current assets	**405,673**	424,096	(18,422)		391,369
Allowance for doubtful accounts	**(52,000)**	(60,500)	8,500		(118,000)
Total Current Assets:	**5,273,818**	5,569,360	(295,541)	(5.3)	7,355,863
Fixed Assets:					
Tangible Fixed Assets:					
Buildings	**7,707,394**	8,199,981	(492,586)		8,363,969
Machinery and equipment	**14,295,968**	15,947,478	(1,651,510)		16,222,010
Land	**16,755,702**	16,755,702	—		16,755,702
Construction in progress	**4,515**	—	4,515		485,080
Other non-current assets	**2,476,943**	2,664,719	(187,776)		2,749,467
Total Tangible Fixed Assets:	**41,240,523**	43,567,881	(2,327,358)	(5.3)	44,576,232
Intangible Fixed Assets:					
Total Intangible Fixed Assets:	**80,643**	81,375	(732)	(0.9)	81,576
Investments and Other Assets:					
Investment in securities	**1,113,715**	1,184,112	(70,397)		1,099,408
Deposits and Guaranty	**1,428,349**	1,812,800	(384,450)		1,832,661
Long-term loans to affliated company	**1,500,000**	1,500,000	—		1,500,000
Deferred tax assets	**—**	—	—		944,687
Other	**1,242,598**	1,250,937	(8,339)		1,525,381
Allowance for bad loans	**(402,560)**	(482,509)	79,949		(482,509)
Total Investments and Other Assets:	**4,882,102**	5,265,341	(383,239)	(7.3)	6,419,629
Total Fixed Assets:	**46,203,268**	48,914,599	(2,711,330)	(5.5)	51,077,438
Total Assets:	**51,477,086**	54,483,959	(3,006,872)	(5.5)	58,433,301

(Thousands of Yen)

Liabilities and Shareholders' Equity:	As of Dec. 31 FY2005	As of March 31 FY2004	Increase/Decrease Amount	Increase/Decrease Ratio %	As of Dec. 31 FY2004
Current Liabilities:					
Notes payable	**293,710**	319,681	(25,970)		246,305
Accounts payable	**510,117**	537,598	(27,480)		615,691
Short-term loans	**4,500,000**	3,200,000	1,300,000		6,000,000
Long-term loans payable in 1 year	**2,714,400**	2,779,590	(65,190)		2,232,470
Corporate bond payable in 1 year	**200,000**	200,000	—		200,000
Amount in arrears	**1,812,790**	2,268,675	(455,884)		2,300,468
Accrued expenses	**1,383,904**	1,345,675	38,228		1,518,570
Income tax payable	**212,210**	153,246	58,963		111,296
Consumption tax payable	**376,745**	513,846	(137,101)		485,027
Accrued bonuses	—	234,530	(234,530)		—
Allowance for resource-recycling expenses	**599,351**	869,782	(270,430)		1,000,257
Other current liabilities	**403,840**	330,252	73,588		492,122
Total Current Liabilities:	**13,007,071**	12,752,878	254,192	2.0	15,202,211
Non-Current Liabilities:					
Corporate bond	**600,000**	700,000	(100,000)		800,000
Long-term debt	**5,708,700**	7,734,500	(2,025,800)		6,059,800
Retirement benefit	**1,645,786**	1,627,170	18,616		1,652,207
Deferred tax liabilities	**43,362**	22,314	21,048		—
Other non-current liabilities	**573,114**	653,984	(80,870)		663,753
Total Non-Current Liabilities:	**8,570,963**	10,737,969	(2,167,006)	(20.2)	9,175,760
Total Liabilities:	**21,578,035**	23,490,848	(1,912,813)	(8.1)	24,377,972
Shareholders' Equity:					
Capital Fund	**12,533,820**	12,533,820	—	—	12,533,820
Additional paid-in capital					
Capital appropriation	**3,133,455**	15,853,954	(12,720,498)	(80.2)	15,853,954
Other additional paid-in capital	**12,720,498**	—	12,720,498	—	—
Additional paid-in capital total	**15,853,954**	15,853,954	—	—	15,853,954
Accumulated earnings					
Earned surplus reserve	—	395,279	(395,279)	—	395,279
Unappropriated reserve	**1,500,000**	9,365,908	(7,865,908)	(84.0)	9,365,908
Unappropriated income for the current year	**1,555,032**	(5,581,566)	7,136,598	—	(2,517,187)
Accumulated earnings total	**3,055,032**	4,179,622	(1,124,589)	(26.9)	7,244,000
Difference in valuation of other marketable securitie	**65,044**	33,472	31,572	94.3	31,274
Less treasury stock at cost	**(1,608,799)**	(1,607,758)	(1,041)	0.1	(1,607,719)
Total Shareholders' Equity:	**29,899,051**	30,993,110	(1,094,058)	(3.5)	34,055,329
Total Liabilities and Stockholders Equity:	**51,477,086**	54,483,959	(3,006,872)	(5.5)	58,433,301

2. Non-Consolidated Statement of Income

(Thousands of Yen)

	3rd Quarter from April 1 to Dec. 31		Increase/Decrease		Fiscal year ended March 31
	FY2005	FY2004	Amount	Ratio %	FY2004
Net sales	**31,682,143**	34,091,851	(2,409,708)	(7.1)	43,091,560
Cost of sales	**15,466,784**	17,035,577	(1,568,793)	(9.2)	21,632,064
Gross profit	**16,215,358**	17,056,274	(840,915)	(4.9)	21,459,496
Selling, general and administrative expenses	**16,156,807**	19,760,748	(3,603,941)	(18.2)	25,068,794
Operating income(loss)	**58,551**	(2,704,473)	2,763,025	—	(3,609,298)
Non-operating income:					
Interest income	**6,673**	19,199	(12,526)		8,722
Dividend income	**41,959**	28,962	12,997		29,417
Insurance commission income	**7,950**	9,852	(1,902)		12,996
Rent Revenue	**614,749**	609,605	5,143		816,460
Other non-operating income	**65,331**	81,440	(16,108)		110,247
Total non-operating income	**736,664**	749,060	(12,395)	(1.7)	977,845
Non-operating expenses:					
Interest expenses	**189,283**	142,893	46,389		207,396
Bond issue expenses	—	26,000	(26,000)		26,000
Rent expense	**1,212,871**	1,267,252	(54,381)		1,704,173
Other non-operating expenses	**5,682**	7,605	(1,922)		12,496
Total non-operating expenses	**1,407,837**	1,443,751	(35,913)	(2.5)	1,950,066
Recurring profit(loss)	**(612,621)**	(3,399,164)	2,786,543	—	(4,581,519)
Extraordinary income:					
Gain on sale of fixed assets	—	4,617	(4,617)		4,617
Insurance payments received	**5,267**	3,451	1,815		3,451
Gain on sale of investment securities	**59,975**	21,101	38,874		21,101
Gain on transfer from reserve for possible loan losses	**3,591**	—	3,591		—
Total extraordinary income	**68,833**	29,169	39,663	136.0	29,169
Extraordinary losses:					
Loss on disposal of property, plant and equipment	**56,181**	8,769	47,412		18,919
Loss on sales of property, plant and equipment	**80**	10,140	(10,060)		10,140
Loss on cancellation of lease contract	**8,264**	3,504	1,760		7,455
Loss on sale of investments in securities	—	54,690	(54,690)		54,873
Loss on valuation of investments in securities	—	146,918	(146,918)		35,878
Loss on valuation of affiliated company's stock	—	—	—		316,000
Loss on valuation of membership rights	—	19,780	(19,780)		19,780
Directors' retirement allowance	**32,110**	6,090	26,020		6,090
Reorganization of offices expense	—	—	—		212,565
Total extraordinary losses	**93,636**	249,892	(156,256)	(62.5)	681,703
Income(loss) before income taxes	**(637,423)**	(3,619,887)	2,982,463	—	(5,234,052)
Corporate income, local and enterprise taxes	**90,000**	100,000	(10,000)	(10.0)	142,000
Adjustment on corporate tax, etc.	—	496,804	(496,804)	—	1,905,016
Net income(loss)	**(727,423)**	(4,216,691)	3,489,267	—	(7,281,069)

Significant Accounting Policies

Relating to Financial Statements

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

①Stocks of subsidiaries: Cost method computed by moving average method

②Short-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

①Finished products, products in progress and materials: Cost method computed by moving average method

②Stored goods: The latest purchase cost method

(3) Depreciation methods for depreciable assets.

①Tangible 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

②Intangible 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).

③Long-term prepaid expenses: Straight-line method

(4) Accounting standards for allowances and reserves

①Allowance 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.

②Provision 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.

③Allowance 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 this current 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.

④Allowance 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 3rd quarter.

(5) 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.

(6) Hedging accounting

①Method 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.

②Hedging arrangements and transactions to be hedged

(Hedging arrangement) Interest rate swap contracts

(Transactions to be hedged) Interest on borrowings

③Hedging 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.

④Assessment 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.

(7) 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.

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	11,000	**10,422**	—
Gross profit	5,841	5,197	**4,855**	—
Operating income (loss)	(181)	(136)	**(244)**	—
Recurring profit (loss)	(182)	(107)	**(248)**	—
Income (loss) before income taxes	(175)	(138)	**(249)**	—
Net Income (loss)	(219)	(196)	**(283)**	—

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	10,599	**9,772**	—
Gross profit	5,798	5,493	**4,923**	—
Operating income (loss)	(122)	250	**(68)**	—
Recurring profit (loss)	(331)	30	**(311)**	—
Income (loss) before income taxes	(324)	(0)	**(312)**	—
Net Income (loss)	(354)	(30)	**(342)**	—

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)

Home Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	7,410,762	6,768,324	**6,130,203**	—
(2)Internal sales among segments and transfer accounts.	—	—	**—**	—
Total	7,410,762	6,768,324	**6,130,203**	—
Operating expenses	6,056,356	5,448,639	**5,195,510**	—
Operating income(loss)	1,354,405	1,319,684	**934,693**	—

Establishnebt Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	1,820,755	1,723,486	**1,601,855**	—
(2)Internal sales among segments and transfer accounts.	—	—	**—**	—
Total	1,820,755	1,723,486	**1,601,855**	—
Operating expenses	1,705,069	1,575,405	**1,532,791**	—
Operating income(loss)	115,685	148,081	**69,064**	—

Environmental Resources Development Divisio	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	2,516,576	2,508,608	**2,690,448**	—
(2)Internal sales among segments and transfer accounts.	191	213	**181**	—
Total	2,516,768	2,508,821	**2,690,629**	—
Operating expenses	3,308,633	3,318,868	**3,166,233**	—
Operating income(loss)	(791,865)	(810,046)	**(475,603)**	—

Elimination or Group	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	—	—	**—**	—
(2)Internal sales among segments and transfer accounts.	(191)	(213)	**(181)**	—
Total	(191)	(213)	**(181)**	—
Operating expenses	859,568	794,483	**772,658**	—
Operating income(loss)	(859,759)	(794,696)	**(772,839)**	—

Consolidated	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
Sales, operating profit or loss				
Sales:				
(1)Sales to customers	11,748,094	11,000,420	**10,422,508**	—
(2)Internal sales among segments and transfer accounts.	—	—	**—**	—
Total	11,748,094	11,000,420	**10,422,508**	—
Operating expenses	11,929,627	11,137,397	**10,667,194**	—
Operating income(loss)	(181,533)	(136,976)	**(244,685)**	—

For the fiscal year ended March 31, 2004 (Thousands of Yen)

Home Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
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

Establishnebt Sanitation Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
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)

Environmental Resources Development Division	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
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)

Elimination or Group	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
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)

Consolidated	1st Quarter Apr. 1 to Jun. 30	2nd Quarter Jul. 1 to Sep. 30	3rd Quarter Oct. 1 to Dec. 31	4th Quarter Jan. 1 to Mar. 31
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)