V. Non-Consolidated Financial Statements
1.Non-Consolidated Balance Sheet

(Thousands of Yen)

Assets:	FY2006 (As of March 31)	% of Total	**FY2007**	**% of Total**	Difference
Current Assets:					
Cash and bank deposits	2,991,403		**424,471**		(2,566,932)
Notes receivable	84,749		**68,165**		(16,584)
Accounts receivable	2,255,167		**2,080,135**		(175,031)
Products	42,143		**15,180**		(26,962)
Half finished products	173,147		**109,341**		(63,805)
Materials	486,759		**402,707**		(84,051)
Stored goods	124,794		**148,320**		23,525
Advances	4,355		**5,413**		1,057
Prepaid expenses	122,915		**108,582**		(14,332)
Accrued revenue	29,712		**211,083**		181,370
Consumption tax receivable	84,594		**10,379**		(74,214)
Other current assets	88,785		**183,650**		94,865
Allowance for doubtful accounts	(42,000)		**(57,000)**		(15,000)
Total Current Assets:	6,446,528	17.5%	**3,710,430**	**11.5%**	(2,736,097)
Fixed Assets:					
Tangible Fixed Assets:					
Buildings	4,763,361		**4,307,166**		
Structures	1,266,496		**1,134,217**		
Machinery and equipment	5,585,545		**4,973,074**		
Automotive equipment	1,427		**951**		
Tool and equipment	201,310		**173,275**		
Land	13,583,163		**13,584,463**		
Construction in progress	2,271		**2,271**		
Total Tangible Fixed Assets:	25,403,576	69.1%	**24,175,419**	**74.9%**	(1,228,157)
Intangible Fixed Assets:					
Telephone rights	71,802		**65,324**		
Others	4,783		**4,227**		
Total Intangible Fixed Assets:	76,586	0.2%	**69,552**	**0.2%**	(7,034)
Investments and Other Assets:					
Investment in securities	1,310,080		**1,193,037**		
Investment in shares of affiliates	117,500		**117,500**		
Investment in capital	2,860		**2,760**		
Long-term loans to affiliates	1,500,000		**1,509,844**		
Claims to bankrupted, rehabilitated and other troubled debtors	327,842		**328,605**		
Long-term prepaid expenses	160,523		**125,268**		
Deposits and guaranty	1,455,800		**1,204,515**		
Membership rights	129,789		**127,689**		
Others	258,312		**100,702**		
Allowance for bad loans	(398,293)		**(403,640)**		
Total Investments and Other Assets:	4,864,416	13.2%	**4,306,283**	**13.3%**	(558,133)
Total Fixed Assets:	30,344,579	82.5%	**28,551,254**	**88.5%**	(1,793,324)
Total Assets:	36,791,107	100.0%	**32,261,685**	**100.0%**	(4,529,421)

(Thousands of Yen)

Liabilities and Net Assets:	As of March 31 FY2006	% of Total	**FY2007**	**% of Total**	Difference
Current Liabilities:					
Notes payable	247,546		**135,633**		(111,913)
Accounts payable	487,417		**775,992**		288,575
Short-term loans	3,200,000		**2,800,000**		(400,000)
Long-term loans payable in 1 year	2,410,400		**1,834,400**		(576,000)
Corporated bond payable in 1 year	330,000		**330,000**		-
Amounts in arrears	2,222,481		**1,727,588**		(494,892)
Accrued expenses	1,139,848		**751,154**		(388,693)
Accrued income taxes	160,786		**148,876**		(11,910)
Advance received	48,885		**47,108**		(1,777)
Withholding income tax, etc.	106,537		**102,534**		(4,002)
Deferred revenues	2,226		**2,663**		437
Accrued bonuses	170,000		**-**		(170,000)
Allowance for resource-recycling expenses	904,914		**781,035**		(123,878)
Other current liabilities	-		**119,889**		119,889
Total Current Liabilities:	11,431,043	31.1%	**9,556,877**	**29.6%**	(1,874,165)
Non-Current Liabilities:					
Corporate bond	3,605,000		**425,000**		(3,180,000)
Long-term debt	3,583,700		**2,191,300**		(1,392,400)
Long-term debt from a director	-		**975,000**		975,000
Deferred tax liabilities	139,827		**106,058**		(33,769)
Retirement benefit	1,658,304		**1,357,745**		(300,559)
Long-term amount in arrears	276,000		**188,000**		(88,000)
Monetary deposits	14,479		**15,405**		926
Other non-current liabilities	-		**430,000**		430,000
Total Non-Current Liabilities:	9,277,311	25.2%	**5,688,508**	**17.7%**	(3,588,802)
Total Liabilities:	20,708,355	56.3%	**15,245,386**	**47.3%**	(5,462,968)
Shareholders' Equity:					
Paid-in capital	12,616,253	34.3%	**-**	**-**	-
Capital surplus					
Capital surplus reserve	3,215,555		**-**		-
Other capital surplus	6,005,855		**-**		-
Capital surplus total	9,221,410	25.1%	**-**	**-**	-
Earned surplus					
Unappropriated profits	(4,354,542)		**-**		-
Earned surplus total	(4,354,542)	(11.8%)	**-**	**-**	-
Valuation difference on available-for-sale securities	209,741	0.5%	**-**	**-**	-
Less treasury stock at cost	(1,610,111)	(4.4%)	**-**	**-**	-
Total Shareholders' Equity:	16,082,752	43.7%	**-**	**-**	-
Total Liabilities and Stockholders Equity:	36,791,107	100.0%	**-**	**-**	-
Owners' Equity:					
Paid-in capital	-	-	**14,041,834**		-
Capital surplus					
Capital legal reserve	-	-	**4,639,973**		-
Other capital surplus	-	-	**1,651,313**		-
Capital surplus total	-	-	**6,291,287**		-
Earned surplus	-	-	**(1,865,340)**		-
Treasury stock	-	-	**(1,610,569)**		-
Total Owners' Equity:	-	-	**16,857,211**	**52.2%**	-
Valuation and Translation Adjutments:					
Valuation difference on available-for-sale securities	-	-	**159,088**		-
Total Valuation and Translation Adjustments:	-	-	**159,088**	**0.5%**	-
Total Net Assets:	-	-	**17,016,299**	**52.7%**	-
Total Liabilities and Net Assets:	-	-	**32,261,685**	**100.0%**	-

2. Non-Consolidated Statement of Income

(Thousands of Yen)

	Fiscal Year between April 1 and March 31				
	FY2006	% of Total	**FY2007**	**% of Total**	Difference
Net sales	35,031,780	100.0%	**27,457,487**	**100.0%**	**(7,574,292)**
Cost of sales	19,032,291	54.3%	**15,038,833**	**54.8%**	**(3,993,458)**
Gross profit	15,999,488	45.7%	**12,418,654**	**45.2%**	**(3,580,834)**
Selling, general and administrative expenses	19,466,842	55.6%	**13,916,335**	**50.7%**	**(5,550,507)**
Operating income (loss)	(3,467,354)	(9.9%)	**(1,497,681)**	**(5.5%)**	-
Non-operating income:					
Interest income	8,397		**8,351**		
Dividend income	51,512		**51,591**		
Insurance commission income	9,537		**7,579**		
Rent revenue	237,904		**116,914**		
Other non-operating income	69,190		**50,733**		
Total non-operating income	376,544	1.1%	**235,169**	**0.9%**	**(141,374)**
Non-operating expenses					
Interest expenses	232,747		**188,144**		
Stock issue expenses	1,850		**-**		
Bond issue expenses	42,055		**-**		
Rental expenses	203,603		**187,956**		
Other non-operating expenses	9,100		**11,760**		
Total non-operating expenses	489,357	1.4%	**387,861**	**1.4%**	**(101,495)**
Recurring profit (loss)	(3,580,167)	(10.2%)	**(1,650,373)**	**(6.0%)**	-
Extraordinary income:					
Gain on sale of property, plant and equipment	373,331		**3**		
Insurance money received	952,759		**206,333**		
Gain on sale of investment securities	9,375		**3,390**		
Transfer from reserve for possible loan losses	234		**-**		
Transfer from reserve for bonuses	-		**187,000**		
Gain on insurance cancellation	-		**22,969**		
Total extraordinary income	1,335,700	3.8%	**419,697**	**1.5%**	**(916,002)**
Extraordinary losses:					
Loss on sale of property, plant and equipment	544,715		**6,001**		
Loss on disposal of property, plant and equipment	6,708		**85,922**		
Loss on cancellation of lease contract	5,367		**9,633**		
Loss due to disaster	892,390		**205,958**		
Loss on settlement of construction cost of Tomakomai Power Plant	225,372		**-**		
Loss on sales of investment securities	306		**-**		
Loss on valuation of investment securities	-		**7,432**		
Loss on valuation of shares of affiliates	50,000		**-**		
Loss on valuation of membership rights	16,475		**5,666**		
New provision for resource-recycling expenses	256,740		**96,379**		
Reorganization of offices expenses	-		**121,671**		
Total extraordinary losses	1,998,075	5.7%	**538,664**	**1.9%**	**(1,459,410)**
Income(loss) before income taxes	(4,242,542)	(12.1%)	**(1,769,340)**	**(6.4%)**	-
Corporate income, local and enterprise taxes	112,000	0.3%	**96,000**	**0.4%**	**(16,000)**
Net income(loss)	(4,354,542)	(12.4%)	**(1,865,340)**	**(6.8%)**	-
Unappropriated profits	(4,354,542)		**-**		-

3. Appropriation Statement

(Thousands of Yen)

	from April 1to March 31
	FY2006
(Appropriation of unappropriated income for the current year)	
I. Unappropriated Income for the current year	**(4,354,542)**
II. Reversal of unappropriated reserve	
1. Reversal of contingent reserve	**-**
III. Transfer from other additional paid in capital	**4,354,542**
IV. Surplus profit carried forward to the following term	**-**
(Appropriation of other capital reserves)	
I. Other capital reserves	**6,005,855**
II. Appropriation of other capital reserves	
1. Transfer to unappropriated loss for the current year	**4,354,542**
III. Other capital reserves carried forward	**1,651,313**

4. Non-consolidated Statement of Changes in Net Assets

Current accounting period (April 1, 2006 to March 31, 2007)

(Thousands of Yen)

	Owners' Equity			
	Paid-in Capital	Capital Surplus		
		Capital Legal Reserve	Other Capital Surplus	
Balance at the end of previous period	12,616,253	3,215,555	6,005,855	9,221,410
Changes of items during the period				
Issuanse of new shares	1,425,581	1,424,418		1,424,418
Net income				
Purchase of treasury stock				
Reversal of profit from capital surplus			(4,354,542)	(4,354,542)
Net changes of items other than owners' equity				
Total changes of items during the period	1,425,581	1,424,418	(4,354,542)	(2,930,123)
Balance at the end of current period	14,041,834	4,639,973	1,651,313	6,291,287

	Owners' Equity			
	Earned Surplus		Treasury Stock	
	Other Earned Surplus			
	Earned Surplus brought forward			
Balance at the end of previous period	(4,354,542)	(4,354,542)	(1,610,111)	15,873,010
Changes of items during the period				
Issuanse of new shares				2,850,000
Net income	(1,865,340)	(1,865,340)		(1,865,340)
Purchase of treasury stock			(458)	(458)
Reversal of profit from capital surplus	4,354,542	4,354,542		-
Net changes of items other than owners' equity				-
Total changes of items during the period	2,489,201	2,489,201	(458)	984,200
Balance at the end of current period	(1,865,340)	(1,865,340)	(1,610,569)	16,857,211

	Valuation and Translation Adjustments		Net Assets
	Valuation Difference on Availble-for-sale Securities		
Balance at the end of previous period	209,741	209,741	16,082,752
Changes of items during the period			
Issuanse of new shares			2,850,000
Net income			(1,865,340)
Purchase of treasury stock			(458)
Reversal of profit from capital surplus			-
Net changes of items other than owners' equity	(50,653)	(50,653)	(50,653)
Total changes of items during the period	(50,653)	(5,653)	933,546
Balance at the end of current period	159,088	159,088	17,016,299

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

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

SANIX has posted operating loss, recurring loss and negative operating cash flow in four out of five fiscal years since the year ended March 31, 2003 (i.e. in fiscal 2002 and two consecutive years ending March 31, 2006), and net loss for five consecutive fiscal years.

Moreover, during the current year, the HS Division, the core business of the Company, was imposed administrative punishments by the Ministry of Economy, Trade and Industry for its improper operation, including suspension of six sales offices' operation for three months from July 8, 2006. Due to the impact of these punishments, sales of the HS Division decreased significantly. As a result, the Company posted again operating loss of 1,497 million yen, net loss of 1,865 million yen.

These circumstances may raise a serious doubt regarding the assumption of a going concern.

To overcome these adverse conditions, the Company resolved on the Business Streamlining Plan at a board meeting on August 9, 2006, based on which it has strived for recovery of the operational performance through various efforts including closing and consolidation of certain sales offices, reduction of labor cost and other cost reduction efforts.

The plan has progressed satisfactorily. 53 sales offices are closed and consolidated mainly in the HS Division and the ES Division. Approximately 1,000 employees were reduced compared with the time before the implementation of the streamlining plan, saving approximately 2,300 million yen. In other costs, approximately 300 million yen was saved mainly in the area of communication, travel expenses and leases.

Because the positive effect of these measures taken during the current year will continue throughout the next year, costs will be further reduced. Moreover, since it is planned to discontinue advertising on helmets and reexamine expenditures of mecenat and other expenses, costs will be further saved approximately 400 million yen, which will lead to improvement in the operational results in next year.

In addition to the sales office closing and consolidation, personnel reduction and other measures to improve the efficiency of operations, the Company will endeavor to establish a compliance system. The Company established the Compliance Department on September 1, 2006 to ensure its business development in stricter compliance with laws and regulations. The Department focuses on proactive and preventive actions to detect internal risks and implement corrections before problems may occur, and development of a “self-cleansing” operating system by strengthening the internal control functions.

Non-consolidated financial statements were prepared based on the assumption of a going concern, and did not reflect the impact of these serious doubts regarding our ability to continue as a going concern.

6. Significant Accounting Policies Relating to Financial Statements

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

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

2) Short-term investments in securities:

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

Other marketable securities:

*Securities valued at market: Market value method based on the market prices on the settlement date (all valuation difference are reflected directly in net assets, 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

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

2) Stored goods: The latest purchase cost method

(3) Depreciation methods for depreciable assets

1) Tangible fixed assets: Fixed percentage on declining-balance method

The useful lives of major assets are as follows:

Buildings and structures	8 years - 50 years
Machinery and vehicles	4 years - 17 years
Tools and furniture	2 years - 15 years

2) Intangible fixed assets: Straight-line method

3) Long-term prepaid expenses: Straight-line method

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

(5) Accounting standards for allowances and reserves

1) Allowance for doubtful accounts: Provision for losses on doubtful accounts is made up to the maximum allowable based on individual assessments and the actual percentage of bad loan write-offs, as prescribed in the Corporate Income Tax Law. If that amount is deemed to be insufficient, additional provision is made.

2) Provision for accrued bonuses: Provision for accrued bonuses to employees is made by appropriating an amount based on estimated total bonuses that will be paid during the year.

3) Allowance for resource-recycling expenses: Allowance for resource-recycling expenses is provided in preparation for payment of transportation and storage relating to recycling waste plastics for fuel.

4) Allowance for retirement benefits for employees: In order to provide for retirement allowances the co mpany 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.

(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

1) Method of hedging accounting: Interest rate swap arrangements were accounted for by the special treatment method of hedging accounting as they satisfy the requirements for the special treatment.

2) Hedging arrangements and transactions to be hedged

Hedging arrangement: Interest rate swap contracts

Transactions to be hedged: Interest on borrowings

3) Hedging policy: The Company concludes interest rate swap contracts for the purpose of hedging the risk of floating of interest rates of borrowings. Transactions to be hedged by an interest rate swap contract are specified for each contract.

4) Assessment of validity of hedging arrangements: The Company concludes only interest rate swap contracts that satisfy all of the following conditions, in accordance with its risk management policy:

i. The notional principal amount of the interest rate swap contract is the same as that of the principal amount of the relevant long-term borrowing;

ii. The term and maturity of the interest rate swap contract are the same as those of the relevant long-term borrowing;

iii. The index of the floating rate of the relevant long-term borrowing is TIBOR+1.1%;

iv. The terms for revision of interest rate of the interest rate swap contract are the same as those stipulated in the relevant long-term borrowing; and

v. The receipt-and-payment conditions of the interest rate swap contract are fixed throughout the swap period.

Assessment of validity of interest rate swap contracts concluded and maintained by the Company as of the account settlement date is omitted as they satisfy all of the above-mentioned requirements, and are thus qualified to be accounted for by the special treatment method.

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

Accounting treatment of consumption tax: Excluding tax method

7. Changes in Accounting Method

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

(Current Fiscal Year ended March 31, 2007)

During this fiscal year, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan Statement No.5, December 9, 2005), and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan Guidance No.8, December 9, 2005) are adopted.

This change will have no impact on the profit and loss status of the SANIX Group.

Equity section of balance sheet, which is calculated in a conventional way reaches 17,518,932 thousand yen.

Following the revision of the Rules for Financial Statements, the non-consolidated financial statements of the Company for the year ended March 31, 2007 were prepared in accordance with those revised rules.

(Accounting Standard for Treasury Shares and Appropriation of Legal Reserve)

(Current Fiscal Year ended March 31, 2007)

During this fiscal year, revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (the Accounting Standards Board of Japan Statement No.1, updated on August 11, 2006), and "Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (the Accounting Standards Board of Japan Guidance No.2, updated on August 11, 2006) are adopted.

This change will have no impact on the profit and loss status of the SANIX Group.

Following the revision of the Rules for Financial Statements, the non-consolidated financial statements of the Company for the year ended March 31, 2007 were prepared in accordance with those revised rules.

8. Notes to Non- Consolidated Financial Statements

Notes to Non-Consolidated Balance Sheet

1. Hypothecated assets and secured liabilities

(1) Assets provided as collateral

(Factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	363,893	**340,082**
Structures	79,658	**74,413**
Machinery and equipment	532,616	**464,953**
Tools and appliances	3,657	**4,128**
Land	1,311,067	**1,311,067**
Total	2,290,893	**2,194,645**

(Other than factory foundation) (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	2,896,311	**3,138,489**
Land	9,203,839	**10,925,096**
Investment in Securities	647,368	**566,321**
Deposit at notice	1,700,000	**-**
Time deposit	300,000	**100,000**
Total	14,747,518	**14,729,907**

(2) Secured liabilities

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Short-term loans	1,000,000	**1,800,000**
Lomg-term loans payable in 1 year	2,314,800	**1,834,400**
Long-term loans	3,583,700	**1,240,100**
Total	6,898,500	**4,874,500**

2. Number of shares issued (shares)

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

3. Number of shares of treasury stock (Shares)

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

4. Limitation on dividend (Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Amount specified in Article 124-3 of the Commercial Law Enforcement Regulations.	209,741	-

Notes to Non-Consolidated Statement of Income

1. Research and development costs included in the administrative costs.

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Administrative costs	284,353	**175,845**

2. Transactions with affiliate companies are included as follows.

(Thousands of Yen)

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Rent revenues	85,744	**90,330**

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

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	358,459	**-**
Structures	2,865	**-**
Machinery and equipment	12,006	**3**
Total gain on sale of property, plant and equipment	373,331	**3**

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

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Land	544,679	**-**
Telephone rights	35	**6,001**
Total loss on sale of property, plant and equipment	544,715	**6,001**

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

	Full Year between April 1 and March 31	
	FY2006	**FY2007**
Buildings	1,458	**81,603**
Structures	156	**530**
Machinery and equipment	3,829	**626**
Tools and appliances	715	**3,161**
Other tangible fixed assets	548	**-**
Total loss on disposal of property, plant and equipment	6,708	**85,922**

6. Loss due to disaster

(Prior accounting period ended March 31, 2006)

Losses due to disaster are those related to fires that occurred in the Kitakyushu Plant and the Tomakomai Power Plant. Since these losses will be fully covered by the non-life insurance maintained by the Company, the estimate amounts of insurance claims to be received are included in the extraordinary income for the prior accounting period.

(Current accounting period ended March 31, 2007)

Losses due to disaster are those related to fires that occurred in the Ota Plant and the Tomakomai Power Plant. Since these losses will be fully covered by the non-life insurance maintained by the Company, the estimate amounts of insurance claims to be received are included in the extraordinary income for the current accounting period.

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

(Prior accounting period ended March 31, 2006)

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

Notes to Non-Consolidated Statement of Changes in Net Assets

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

1. Numbers of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	31-Mar-07
Number of shares of treasury stock (Shares)	1,207,223	1,440	-	**1,208,663**

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 1,440 shares

Notes to Lease Transactions

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

	Full Year	
	between April 1 and March 31	
	FY2006	**FY2007**
	Machinery and equipment	
Book Value	170,640	**152,790**
Cumulative depreciation	108,150	**116,170**
Value at end of year	62,489	**36,619**
	Automotive equipment	
Book Value	819,021	**569,571**
Cumulative depreciation	541,178	**368,177**
Value at end of year	277,843	**201,393**
	Tools and appliances	
Book Value	626,318	**389,904**
Cumulative depreciation	345,866	**194,767**
Value at end of year	280,451	**195,137**
	Total	
Book Value	1,615,979	**1,112,265**
Cumulative depreciation	995,195	**679,115**
Value at end of year	620,783	**433,149**
②Outstanding balance of future lease payments at the end of the period:		
Within one year	265,589	**208,983**
Over one year	388,194	**311,598**
Total	653,784	**520,582**
③Amount of lease fee payments, depreciation expense and interest expense:		
Lease fee payments	391,297	**227,499**
Depreciation expense	357,078	**200,575**
Interest expense	16,607	**12,367**

④Accounting method for the amount equivalent to depreciation expenses:

Accounting method for the amount equivalent to depreciation expenses and interest expenses:

Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the straight-line method.

Accounting method for the amount equivalent to interest expenses:

Interest expense for lease assets is calculated as the difference between the total lease payments andthe acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

⑤Operating lease transaction:

Outstanding balance of future lease payments:

	FY2006	**FY2007**
Within one year	116,107	**100,572**
Over one year	180,926	**133,029**
Total	297,034	**233,602**

Notes to Securities

(Current accounting period ended March 31, 2006)

There were no securities valued at market of subsidiaries and affiliates.

(Prior accounting period ended March 31, 2005)

There were no securities valued at market of subsidiaries and affiliates.

Notes to Tax Effect Accounting

(Thousands of Yen)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities	Full Year between April 1 and March 31	
	FY2006	**FY2007**
(Deferred tax assets)		
Business tax payable	11,535	**14,553**
Depreciation expenses exceeding the deductible limit	3,675,631	**3,256,812**
Long-term prepaid expenses exceeding the deductible limit	15,683	**-**
Allowance for doubtful accounts exceeding the deductible limit	48,423	**85,157**
Allowance for retirement benefits for employees exceeding the deductible limit	663,321	**543,098**
Provision for accrued bonuses exceeding the deductible limit	68,000	**-**
Membership valuation loss	38,750	**39,190**
Loss on valuation of short-term investments in securities	14,749	**17,722**
Loss carried forward	2,192,420	**2,864,722**
Non-deductible allowance for resource-recycling expenses	361,965	**312,414**
Non-deductible subcontract expenses	1,907,526	**2,068,177**
Loss on valuation of shares of affiliates	146,400	**146,400**
Others	791,281	**863,343**
Deferred tax assets subtotal	9,935,690	**10,211,592**
Valuation reserve	(9,935,690)	**(10,211,592)**
Total deferred tax assets	-	**-**
(Deferred tax liabilities)		
Difference between market price and acquisition cost of other securities	139,827	**106,058**
Total deferred tax liabilities	139,827	**106,058**
Net deferred tax assets	(139,827)	**106,058**

2. Breakdown of major elements that caused the difference between the statutory effective tax rate and the corporate tax burden after the tax effect accounting:

(Current fiscal year ended March 31, 2007)

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

(Previous fiscal year ended March 31, 2006)

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

Significant Subsequent Event

(Current accounting period ended March 31, 2006)

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