SANIX INCORPORATED

Consolidated/Non-Consolidated

Interim Financial Summary

For the First Half ended September 30, 2006

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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.

November 15, 2006

Consolidated Financial Statements

For the First Half ended September 30, 2006

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
Contact:	Kozo Inoue, Managing Director, Administration Department, Management and Planning Division
U.S. Accounting Principle:	Not adopted

1. Consolidated Financial Highlights for the First Half ended September 30, 2006

(April 1, 2006 to September 30, 2006)

(1) Consolidated Operating Results

(Millions of Yen)

	between April 1 and September 30				ended March 31, 2006
	FY2007	**% change**	FY2006	% change	FY2006
Net Sales.	**15,532**	**(24.4%)**	20,548	(9.7%)	36,509
Operating Income.	**(1,473)**	**-**	(824)	-	(3,382)
Recurring Profit.	**(1,519)**	**-**	(840)	-	(3,479)
Net Income.	**(1,579)**	**-**	(1,292)	-	(4,252)
Net Income per Share(￥).	**(¥37.23)**	**-**	(¥32.54)	-	(¥107.16)
Net Income per Share, Diluted(￥). . .	**-**	**-**	-	-	-

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

¥ - million (First Half ended September 30, 2006)

¥ - million (First Half ended September 30, 2005)

¥ - million (Full Year ended March 31, 2006)

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

First Half ended September 30, 2006	42,423,483 shares
First Half ended September 30, 2005	39,722,071 shares
Fiscal Year ended March 31, 2006	39,749,110 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 between April 1 and September 30		Full Year ended March 31, 2006
	FY2007	FY2006	FY2006
Total Assets.	**34,677**	41,230	37,718
Shareholders' Equity.	**17,898**	19,365	16,657
Shareholders' Equity Ratio (%).	**51.6%**	47.0%	44.2%
Shareholders' Equity per Share (￥).	**¥374.68**	¥487.39	¥416.08

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

First Half ended September 30, 2006	47,711,293 shares
First Half ended September 30, 2005	39,733,778 shares
Fiscal Year ended March 31, 2006	40,017,513 shares

(3) Consolidated Financial Cash Flows

(Millions of Yen)

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2007	FY2006	FY2006
Cash Flows from Operating Activities.	**(837)**	374	(1,776)
Cash Flows from Investing Activities.	**1,441**	809	1,598
Cash Flows from Financing Activities.	**(1,289)**	(1,744)	(1,382)
Balance of Cash and Cash Equivalents at End of Period.	**712**	2,398	1,398

(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: 0

Number of company excluded from consolidation: 0

Number of new company, which adopted equity method: 0

Number of company excluded from equity method: 0

2. Forecasts for Consolidated Business Results

(April 1, 2006 to March 31, 2007)

(Millions of Yen)

	Full Year ending March 31 FY2007
Net Sales	30,877
Recurring Profit	(799)
Net Income	(929)
Net Income per Share(¥)	(¥19.48)

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

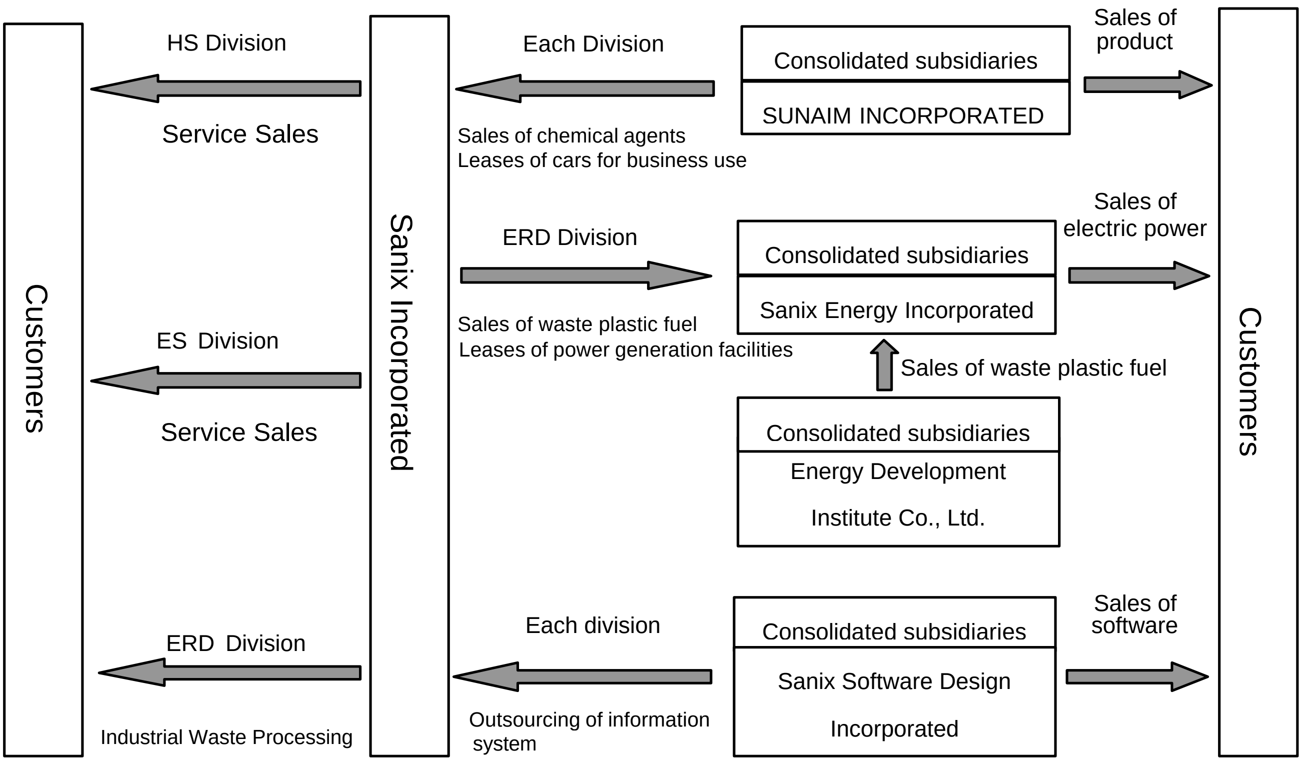
The SANIX Group is composed of SANIX Incorporated and 6 subsidiaries. SANIX's core businesses are residential environmental sanitation and maintenance, sanitation services for office buildings, intermediate processing of industrial waste and electricity generation with a focus on recycling resources.
These businesses are operated by each group company as shown below.

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, and so on.) SANIX purchased information system services relating to each of its divisions from Sanix Software Design Incorporated.



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

1. 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.

2. Basic Corporate Policy for Profit Distribution

SANIX operates its business focusing on the return profit to shareholders. One of our business policies is to increase dividends to shareholders by expanding the scope of our operators and improving earnings, while ensuring stable dividends based on the ratio according to shareholders' equity and other factors.

3. Target Management Indices

The SANIX Group aims at continuous improvement in profits based on mid- and long-term business strategies. The Company will implement serious cost reduction efforts and strengthen management structure.

Among various management indices, we should focus on the ratio of operating profit to revenues, which clearly reflects the status of our productivity and the balance with the costs. The Company targets at achieving the ratio of operating profit to revenues of 10% in the medium term.

4. Medium- and Long-Term Business Strategies and Issues to Be Addressed

(1) HS Division

The HS division will continue emphasizing compliance with applicable laws and regulations to ensure the protection of consumers. The division is determined to make efforts to create a marketing organization that is closely connected to the local community, and to provide existing customers good after- sales service through our termite eradication services, under-floor and under-roof ventilation systems, and Home Reinforcement System. Our medium and long term goal is to improve the operating profit ratio of the division, which should achieve a high profit margin by improving operating efficiency, increasing the number of employees, and introducing new products.

(2) ES Division

The ES Division is cultivating markets mainly in the metropolitan areas where office buildings, apartment complexes, and other large facilities are concentrated. The Division provides, as the core business, water quality control services, including maintenance and repairing of degraded water pipes in buildings and apartment houses, and other services and products to extend the life cycle of buildings and structures. Through provision of regular maintenance programs to existing customers, the Division will explore further needs for maintenance and repairing of water systems and other facilities within their buildings. The medium and long term goal is to improve the operating profit ratio of the division by improving operating and service efficiency, increasing sales, and lowering related costs.

(3) ERD Division

The main business of ERD division is resource-recycling power generation by using fuel recycled from waste plastic in its recycling plants. The mid-term and long-term goal of the division is to increase sales of electric power by operating the Tomakomai Power Plant, the main business if the division, at full capacity. At the same time, its 16 plastic recycling plants will make all efforts to process a higher volume of waste plastic into fuel. At the same time, the division is determined to increase the production and sales of waste plastic fuel, an alternative to fossil fuel, to enable the business to become more profitable.

5. Challenges the Company Faces

We expect that the business environment surrounding the Company will remain severe; however, the environmental industry will play an important role in society due to a rising demand for environmental protection. Under such circumstances, the following are managerial challenges to be tackled in order for our three main businesses to prosper.

(1) Promotion of compliance

In order to be trusted by more customers and to provide comfortable environment more extensively, one of the most important issues for the Company, as the leading "Eco Business" company, is promoting strict compliance with laws and regulations, from the viewpoint of consumer protection, following our principle of "Customers Come First." Education and training will be provided regularly to employees to enhance their morality and knowledge on legal compliance, to ensure delivery of safe and comfortable house environment to customers.

(2) Strengthening sales and management system

The Company needs to establish high quality sales and management systems, where we can increase close contact with our customers and cultivate underlying demand. SANIX, a team of experts, will firmly establish its brand image and employ efficient sales and management systems.

(3) Recruitment and training of employees

In accordance with our Management Philosophy, “Our job is to educate and education means management”, we are committed to improve corporate value and our services by recruiting more people and training employees. From the perspective of protecting customers, we are required to ensure compliance with applicable laws and regulations. The Company considers it is our corporate mission to raise the quality of our employees as well as products and services. Specifically, we are determined to provide employees with substantial and specific training on recruitment, at each managerial class, and at each position.

(4) Development of new products

A key issue for the Company is the development of new products and improvement of existing products. In HS division, our mission is to protect customers’ wooden houses from damage caused by termites, humidity, and natural disasters such as typhoons and earthquakes so that we can provide a comfortable living environment. ES division needs to develop new services for maintaining corporate buildings. In ERD division, we will develop value-added products by diversifying waste plastic fuel, for which we can expect an increase in demand.

(5) Sales of waste plastic fuel

Along with increasing the amount of waste plastic processing, ERD division now sells waste plastic fuel as part of the creation of the so-called recycling oriented society. As waste plastic fuel could be an alternative energy source to fossil fuel, our foremost issue is to develop a suitable profile of this fuel, and secure the stable quality and volume of fuel production in order to meet customer demand.

(6) Bolster disaster-prevention countermeasures

Treating the occurrence of the fire incidents at Kitakyushu plant and Tomakomai Power Plant with the utmost seriousness, we make every effort to give first priority to safety at each plant in ERD division. In addition, we are fully determined to further reinforce our disaster-prevention system and to make every effort to restore social trust in our company.

6. Information Concerning Parent Company, Etc.

No applicable matter.

7. Other Significant Management Issues

No applicable matter.

III. Business Results

1. First Half Overview

During the first half of the fiscal year, the Japanese economy showed steady growth. Although the sharp hike in the crude oil price, rising interest rates and other factors posed some concern, corporate earnings remained strong, capital investments continued to increase, employees' income increased modestly, and personal consumption was also strong.

In the environmental sanitation industry, people's interest in the maintenance of houses and buildings remained very strong, but consumers have become severer in selecting a service provider. To be chosen by such selective customers, differentiated appealing and selling power of our products, enhanced ability of sales representatives to respond to customers' requests, and more customer-oriented marketing attitude were necessary.

Under these circumstances, the HS Division of the SANIX Group was imposed administrative punishments by the Ministry of Economy, Trade and Industry, according to the Specific Commercial Transactions Law, for its improper operation. The punishments included the suspension of the operation of six sales offices of the HS Division for three month from July 8, 2006. To prevent recurrence of similar improper practices, the SANIX Group has reviewed its compliance system and restructured the control organization. However, the administrative punishments had a grave negative impact on the Group's operating results. Accordingly, to recover the slumped operating results by drastic measures, the SANIX Group developed and announced the "Business Streamlining Plan" on August 9, 2006. According to this Plan, closing and consolidation of certain sales offices, personnel reduction, salary reduction and other cost reduction measures were implemented to lower the profit and loss break-even point.

Consequently, sales decreased in all of the three divisions: the HS Division, the ES division and the ERD Division. Sales by the entire Group decreased 24.4% from the same period of the previous year to 15,532 million yen. Although all divisions achieved continued cost reductions by their effort to streamline the operation, sales revenues declined significantly in HS Division where the marginal profit ratio is high. Accordingly, the operating profit has worsened in the HS Division. Consequently, for the current first half of the year, the Company posted a consolidated recurring loss of 1,519 million yen (compared to the recurring loss of 840 million yen in the same period of the previous year). The SANIX Group posted a net loss totaling to 1,579 million yen (compared to net loss of 1,292 million yen in the same period of the previous year).

Consolidated earnings of individual divisions were as follows:

Earnings of individual divisions:

Home Sanitation Division

In the HS Division, sales revenues decreased significantly due to the impact of the administrative punishments including suspense of six sales offices' operation in the second quarter. Although the Division made sales effort to quickly recover revenues, while putting emphasis on strengthening compliance including protection of senior consumers and other vulnerable consumers, the contracted rate and sales per customer remained low. As a result, sales by this Division decreased 32.5% from the same period last year to 8,475 million yen.

Operating profit by the HS Division decreased sharply to 813 million yen (compared with 1,756 million yen in the same period of the previous year) due to a significant drop in sales revenues, although selling, general and administrative expenses and other costs decreased.

Establishment Sanitation Division

In the ES Division, the sales operation was adversely affected by the administrative punishments imposed on the HS Division. Geographically, sales revenues dropped sharply especially in the Kanto area that accounted for the significant portion of the total sales of the Division. In terms of the impact on products, sales revenues from the Water Activator Installation business, which mainly target at new customers in commercial buildings or apartment buildings, decreased significantly. As a result, net sales by the ES Division decreased by 23.3% from the same period of the previous year to 2,212 million yen.

The ES Division posted operating loss of 174 million yen (compared with the operating loss of 38 million yen in the same period of the previous year) due to a significant drop in sales revenues, although selling, general and administrative expenses and other costs decreased.

Environmental Resources Development Division

In the Environmental Resource Development Division, revenues from the waste plastic processing business decreased 17.9% from the same period of the previous year. This was because the processed volume of waste plastic decreased. The business accepted only waste plastic with higher quality, aiming at stable operation of the SANIX Energy Tomakomai Power Plant and sales expansion of waste plastic as fuel to customers outside the Group. Revenues from the incineration business increased 59.0% partly because the operation was limited by the fire in the same period last year. Revenues from the organic liquid waste processing business increased 28.5% due to the increase in the delivered volume of the waste. Revenues from power sales increased 24.3% from the same period of the previous year as a result of the stable operation of the Tomakomai Power Plant that was mainly supported by the improved quality of the recycled plastic fuel. Consequently, sales by the ERD Division decreased by 5.3% to 4,845 million yen from the same period in the previous year.

Operating loss improved to 714 million yen (compared with operating loss of 968 million yen in the same period last year), supported by the revenue growth in the incineration business and the organic liquid waste processing business, and cost reductions resulting from the stable operation of the Tomakomai Power Plant, while revenues from waste plastic processing decreased.

2. Consolidated Cash Flow

As of September 30, 2006, cash and cash equivalents totaled 712 million yen on a consolidated basis, a decrease of 686 million yen over the previous year-end.

Net cash used for operating activities totaled 837 million yen, a decrease of 1,212 million yen from the same period of the previous year. This decrease was mainly due to the sales slump in the HS Division, resulting in a significant decrease in its operating profit. Net cash provided by investing activities totaled 1,441 million yen, an increase of 632 million yen from the same period of the previous year. The increase was mainly due to the decrease in compulsory deposits required by lenders. Net cash used for financing activities totaled 1,289 million yen, an improvement by 454 million yen from the same period of the previous year. The major factor contributing to this increase was the postponement of dividend payment at the end of the previous year.

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

	FY2004		FY2005		FY2006		FY2007
	First Half	Full Year	First Half	Full Year	First Half	Full Year	First Half
Shareholders' equity ratio	58.8%	56.8%	57.7%	48.1%	47.0%	44.2%	**51.6%**
Shareholders' equity ratio on a market price basis	53.6%	62.4%	57.6%	67.9%	73.0%	62.6%	**44.0%**
Debt-redemption years	—	—	22.70 year	7.05 year	35.23 year	—	**—**
Interest coverage ratio	—	—	4.90	7.96	3.03	—	**—**

(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, 2004 and 2006 as the operating cash flow was negative in these years.

3. Full-year Forecast

Returning to its principle of "Customers Come First," the SANIX Group is endeavoring to develop a compliance system. To this end, the Company established the Compliance Department in September 2006 to ensure its business development in stricter compliance with laws and regulations. The Department focuses on proactive and preventive actions and development of a "self-cleansing" operating system by strengthening the internal control functions. In the HS Division, the streamlining will be further promoted, including personnel reduction and closing and consolidation of underperforming sales offices to enhance the productivity of operations. In addition, efforts to curtail fixed costs and other expenses will be implemented to improve the profitability of operations. The ES Division will, in order to recover its sales revenues, tackle to acquire new customers especially in the Kanto area, the major geographical business area for the Division. To this end, the target of marketing and sales activities will be expanded from sole proprietors to condominium owners, facility management companies, real estate companies and other companies. The Environmental Resources Development Division is now ready for posting an operating profit soon because the Tomakomai Power Plant is now able to operate stably and continuously, the fuel quality control system was improved, cost reduction has been achieved, and the profitability of the Hibiki Plant (for organic liquid waste processing) has improved.

As for the prospect in and after the third quarter, sales revenues of the HS Division are expected to recover gradually since the suspended operation of certain sales offices resumed on October 8, 2006 and the compliance consciousness of employees has been enhanced. However, taking a conservative assumption for the recovery, the SANIX Group modified the forecast for consolidated sales announced in August, as described in the Announcement on Revision of Operational Results Forecast released on November 9, 2006.

As for profit, as mentioned in "Announcement on "Business Streamlining Plan" and Revision of Operational Results Forecast", which was released on August 9, 2006, reduction of fixed expenses, such as shop elimination and consolidation, wage cuts, personnel downsizing and drastic cost reduction are carrying out as planned, the plan will start contributing on a full scale in and after the second half of this fiscal year. Therefore, break-even point will be further lowered.

However, the forecast of consolidated operating income announced in August was also modified, taking into consideration the modified sales forecast as described above and the conservative modification to the operating expense forecast for the second half of the year based on the actual expenses accrued in September and October.

4. Business and Other Risks

Major risks that may affect the operating results and business of the SANIX Group are described below. Recognizing the possibility of occurrence of these risks, the SANIX Group endeavors to take proper measures to avert these risks and minimize the impact in the event of occurrence.

Certain future-related statements included in this document are estimates made by the Company based on the information available at the end of the current first half.

(1) Laws and regulations concerning door-to-door-sales

Sales activities of the HS Division are mainly conducted by the door-to-door calls, which should be made in compliance with, and are subject to restrictions of, the Door-to-Door Sales and Other Direct Sales Law, the Specific Commercial Transactions Law and the Consumer Contract Law. These laws and regulations are becoming severer lately, from the viewpoint to strengthen the protection for consumers. The Company ensures compliance with applicable laws and regulations in order to protect our customers. However, if the Division fails to comply with the current and future laws and regulations applicable to its businesses, the operating results or financial position of the Division may be negatively impacted.

(2) Movement in the door-to-door-sales industry

Any further detection of dishonest housing improvement operators, and subsequent reports in the media might have a negative impact on the Company's future business.

(3) Laws and regulations concerning waste treatment

The businesses of the ERD Division require certain approvals and permits of administrative authorities, should satisfy environmental emission standards and should comply with the provisions of laws and regulations concerning waste treatment. If the Division fails to comply with the current and future laws and regulations applicable to its businesses, or if revenue expansion is offset by a huge amount of costs necessary to comply with severer regulations, the operating results or financial position of the Division may be negatively impacted.

(4) Retention and development of human resources

The SANIX Group must recruit, retain and develop a number of competent workers engaged in sales, engineering and other functions in order to identify potential needs of customers, and to conduct operations of execution of contracts, service applications and customer control. The SANIX Group endeavors to recruit, retain and develop excellent workers through the adoption of the ability-based and performance-based personnel management policy, recruitment of experienced workers in addition to the recruitment of new school graduates, and provision of various training and education programs. However, the operating results of the Company may be negatively affected by a decline in the number of employees resulting from resigning of existing workers, lowering of productivity due to the addition of new workers.

(5) Resource recycling power generation system

The Tomakomai Power Plant, the core facility for the resource recycling power generation system of the Company, is now able to operate stably and continuously, using recycled waste plastic as its fuel. However, since the fuel is reprocessed from waste plastic, its quality or nature is not always uniform, which may give adverse effect on the stable and continuous operation of the power plant, and, in turn, on the operating results and financial position of the Company.

(6) Industrial accident / disaster

The SANIX Group endeavors to achieve accident-free and disaster-free operations in all aspects of its businesses. However, if a material industrial accident or disaster occurs in any plant of the SANIX Group, its reputation in society will be damaged, payment of compensations for damage and other costs will be incurred to respond to such accident/disaster. In addition, during the suspension of operation caused by such accident/disaster, the Company will incur opportunity loss, which may have negative impact on the operating results and financial position of the Company.

IV. Consolidated Interim Financial Statements

1. Consolidated Balance Sheet for the First Half

(Thousands of Yen)

ASSETS	First Half as of September 30 FY2006	Ratio %	FY2007	Ratio %	Full Year as of March 31, 2006 FY 2006	Ratio %
Current Assets:						
Cash and bank deposits	5,447,027		**712,880**		3,398,895	
Notes and accounts receivable	2,686,889		**2,250,879**		2,536,692	
Inventories	1,234,927		**944,460**		1,035,664	
Deferred income taxes	21,824		**7,690**		22,742	
Other current assets	1,053,661		**1,306,942**		356,424	
Allowance for doubtful accounts	(42,507)		**(50,351)**		(42,451)	
Total Current Assets:	10,401,823	25.2	**5,172,502**	**14.9**	7,307,968	19.4
Fixed Assets:						
Tangible Fixed Assets:						
Buildings and structures	6,221,071		**5,755,096**		6,042,867	
Machinery, equipment and vehicles	6,048,503		**5,372,643**		5,665,895	
Land	15,122,635		**15,123,935**		15,122,635	
Construction in progress	1,051		**19,010**		6,523	
Other tangible fixed assets	198,605		**201,177**		216,212	
Total Tangible Fixed Assets:	27,591,867	66.9	**26,471,863**	**76.4**	27,054,133	71.7
Intangible Fixed Assets:						
Total Intangible Fixed Assets:	77,951	0.2	**77,254**	**0.2**	77,544	0.2
Investments and Other Assets:						
Investments in securities	1,140,700		**1,212,384**		1,311,354	
Lease guaranty deposits	1,502,456		**1,423,254**		1,469,398	
Deferred income taxes	18,645		**1,304**		14,960	
Other	896,451		**715,259**		879,614	
Allowance for bad loans	(399,714)		**(396,799)**		(396,793)	
Total Investments and Other Assets:	3,158,540	7.7	**2,955,403**	**8.5**	3,278,533	8.7
Total Fixed Assets:	30,828,359	74.8	**29,504,521**	**85.1**	30,410,211	80.6
Total Assets:	41,230,183	100.0	**34,677,024**	**100.0**	37,718,180	100.0

(Thousands of Yen)

Liabilities and Net Assets:	First Half as of September 30 FY2006	Ratio %	FY2007	Ratio %	Full Year as of March 31, 2006 FY 2006	Ratio %
Current Liabilities:						
Notes and accounts payable	1,023,121		**916,320**		801,006	
Short-term loans	4,500,000		**3,190,000**		3,400,000	
Long-term loans payable in 1 year	2,564,078		**2,152,412**		2,434,078	
Corporate bond payable in 1 year	330,000		**330,000**		330,000	
Amounts in arrears	2,696,589		**1,625,869**		2,110,280	
Accrued expenses	1,327,479		**915,808**		1,168,380	
Accrued income taxes	166,832		**121,596**		174,688	
Consumption tax payable	213,997		**192,070**		5,271	
Accrued bonuses	214,080		**10,374**		182,418	
Allowance for resource-recycling expenses	772,114		**683,619**		904,914	
Other current liabilities	208,017		**1,130,181**		160,105	
Total Current Liabilities:	14,016,310	34.0	**11,268,254**	**32.5**	11,671,144	31.0
Non-Current Liabilities:						
Corporate Bond	920,000		**590,000**		3,605,000	
Long-term debt	4,867,924		**3,023,512**		3,650,718	
Deferred tax liabilities	71,837		**110,630**		139,827	
Retirement benefit	1,676,127		**1,579,933**		1,677,102	
Other non-current liabilities	293,838		**205,804**		293,358	
Total Non-Current Liabilities:	7,829,726	19.0	**5,509,880**	**15.9**	9,366,007	24.8
Total Liabilities:	21,846,037	53.0	**16,778,135**	**48.4**	21,037,151	55.8
Minority Interests:						
Minority interests	18,189	0.0	-	-	23,417	0.0
Shareholders' Equity:						
Paid-in capital	12,541,096	30.4	-	-	12,616,253	33.5
Capital surplus	9,146,567	22.2	-	-	9,221,410	24.4
Earned surplus	(820,162)	(2.0)	-	-	(3,780,116)	(10.0)
Valuation difference on available-for-sale securities	107,917	0.3	-	-	210,174	0.6
Treasury stock	(1,609,462)	(3.9)	-	-	(1,610,111)	(4.3)
Total Shareholders' Equity:	19,365,955	47.0	-	-	16,657,611	44.2
Total Liabilities, Minority Interests and Shareholders' Equity:	41,230,183	100.0	-	-	37,718,180	100.0
Owners' Equity:						
Paid-in capital	-	-	**14,041,834**		-	-
Capital surplus	-	-	**6,291,287**		-	-
Earned surplus	-	-	**(1,011,936)**		-	-
Treasury stock	-	-	**(1,610,439)**		-	-
Total Owners' Equity:	-	-	**17,710,746**	**51.1**	-	-
Valuation and Translation Adjustments:						
Valuation difference on available-for-sale securities	-		**165,904**		-	
Total Valuation and Translation Adjustments:	-	-	**165,904**	**0.5**	-	-
Minority Interests:						
Minority interests	-	-	**22,238**	**0.0**	-	-
Total Net Assets:	-	-	**17,898,889**	**51.6**	-	-
Total Liabilities and Net Assets:	-	-	**34,677,024**	**100.0**	-	-

2. Consolidated Statement of Income for the First Half

(Thousands of Yen)

	First Half between April 1 and September 30				Full Year ended March 31, 2006	
	FY2006	Ratio %	**FY2007**	Ratio %	FY2006	Ratio %
Net sales	20,548,668	100.0	**15,532,476**	**100.0**	36,509,626	100.0
Cost of sales	10,765,950	52.4	**8,700,459**	**56.0**	20,048,118	54.9
Gross profit	9,782,718	47.6	**6,832,017**	**44.0**	16,461,508	45.1
Selling, general and administrative expenses	10,607,657	51.6	**8,305,411**	**53.5**	19,844,481	54.4
Operating income	(824,939)	(4.0)	**(1,473,394)**	**(9.5)**	(3,382,973)	(9.3)
Non-operating income:						
Interest income	4,184		**4,281**		8,607	
Dividend income	13,994		**15,995**		29,849	
Rent revenue	156,492		**13,291**		172,252	
Other non-operating income	29,311		**30,558**		78,053	
Total non-operating income	203,981	1.0	**64,127**	**0.4**	288,764	0.8
Non-operating expenses						
Interest expenses	125,363		**98,861**		236,420	
Bond issue expenses	24,050		**-**		42,055	
Rental expenses	64,807		**1,139**		83,991	
Other non-operating expenses	4,939		**10,576**		22,676	
Total non-operating expenses	219,160	1.1	**110,576**	**0.7**	385,144	1.0
Recurring profit	(840,118)	(4.1)	**(1,519,844)**	**(9.8)**	(3,479,354)	(9.5)
Extraordinary income:						
Gain on sale of property, plant and equipment	373,331		**3**		373,331	
Insurance money received	997,755		**33,463**		952,759	
Gain on sale of investment securities	8,811		**3,390**		9,375	
Transfer from reserve for possible loan losses	-		**-**		234	
Transfer from reserve for bonuses	-		**188,165**		-	
Total extraordinary income	1,379,897	6.7	**225,022**	**1.4**	1,335,700	3.7
Extraordinary losses:						
Loss on sale of property, plant and equipment	544,679		**-**		544,715	
Loss on disposal of property, plant and equipment	4,056		**64,861**		14,876	
Loss due to disaster	955,913		**33,463**		892,390	
Loss on cancellation of lease contract	5,590		**6,505**		9,206	
Loss on settlement of construction cost of Tomakomai Power Plant	-		**-**		225,372	
Loss on sales of investment securiries	-		**-**		306	
Loss on valuation of membership right	12,025		**805**		16,475	
Director's retirement bonus	-		**11,603**		-	
Net provision for resource-recycling expenses	224,663		**-**		256,740	
Reorganization of offices expense	-		**75,431**		-	
Total extraordinary losses	1,746,928	8.5	**192,670**	**1.2**	1,960,082	5.4
Income before income taxes and minority interests	(1,207,149)	(5.9)	**(1,487,492)**	**(9.6)**	(4,103,736)	(11.2)
Corporate income, local and enterprise taxes	90,647		**60,337**		146,216	
Adjustment on corporate tax, etc	(9,458)		**29,021**		(6,888)	
Minority interests in consolidated subsidiaries	4,342	0.0	**2,460**	**0.0**	9,570	0.0
Net income / loss	(1,292,681)	(6.3)	**(1,579,311)**	**(10.2)**	(4,252,635)	(11.6)

3. Consolidated Statement of Retained Earnings for the First Half

(Thousands of Yen)

	First half from April 1 to September 30 FY2006	Fiscal year from April 1 to March 31 FY2006
CAPITAL RESERVE		
I. Capital Reserve at Beginning of Period	15,853,954	15,853,954
II. Increase in Capital Reserve		
Issuance of new shares by exercise of equity warrants	7,256	82,100
III. Decrease in Capital Reserve		
Dividend	397,148	397,148
Reversal of profit from capital reserve reduction	6,317,494	6,317,494
IV. Capital Reserve at End of Period	9,146,567	9,221,410
RETAINED EARNINGS		
I. Retained Earnings at Beginning of Period	(5,844,676)	(5,844,676)
II. Increase in Retained Earnings		
Reversal of profit from capital reserve reduction	6,317,494	6,317,494
III. Decrease in Retained Earnings		
Directors' bonus	300	300
Net loss	1,292,681	4,252,635
IV. Retained Earnings at End of Period	(820,162)	(3,780,116)

4. Consolidated Statement of Changes in Net Asset for the First Half

Current first half (April 1, 2006 to September 30, 2006)

(Thousands of Yen)

		Owners' Equity				
		Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owners' Equity
Balance at the end of previous period		12,616,253	9,221,410	(3,780,116)	(1,610,111)	16,447,436
Changes of items during the period						
	Issuanse of new shares	1,425,581	1,424,418			2,850,000
	Directors' bonus			(7,050)		(7,050)
	Net income			(1,579,311)		(1,579,311)
	Purchase of treasury stock				(328)	(328)
	Reversal of profit from capital surplus		(4,354,542)	4,354,542		-
Total changes of items during the period		1,425,581	(2,930,123)	2,768,180	(328)	1,263,309
Balance at the end of current period		14,041,834	6,291,287	(1,011,936)	(1,610,439)	17,710,746

		Valuation and Translation Adjustments		Minority Interests	Net Assets Total
		Valuation Difference on Availble-for-sale Securities	Total		
Balance at the end of previous period		210,174	210,174	23,417	16,881,028
Changes of items during the period					
	Issuanse of new shares				2,850,000
	Directors' bonus				(7,050)
	Net income				(1,579,311)
	Purchase of treasury stock				(328)
	Reversal of profit from capital surplus				-
	Net changes of items other than owners' equity	(44,270)	(44,270)	(1,179)	(45,449)
Total changes of items during the period		(44,270)	(44,270)	(1,179)	1,217,860
Balance at the end of current period		165,904	165,904	22,238	17,898,889

5. Consolidated Statement of Cash Flows for the First Half

(Thousands of yen)

	First Half		Full Year
	From April 1to September 30		ended March 31
	FY2006	**FY2007**	FY2006
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	(1,207,149)	**(1,487,492)**	(4,103,736)
Depreciation and amortization	784,554	**690,877**	1,555,680
Loss on settlement of construction cost of Tomakomai Power Plant	-	**-**	225,372
Allowance for retirement benefits	(134)	**(97,169)**	841
Allowance for resource-recycling expenses	399,334	**(221,295)**	532,134
Allowance for doubtful accounts	10,163	**7,905**	10,237
Interest and dividend income	(18,178)	**(20,276)**	(38,457)
Interest expense	125,363	**98,861**	236,420
Stock issue expense	1,850	**-**	1,850
Bond issue expense	24,050	**-**	42,055
Commission expense paid	2,804	**4,727**	8,508
Gain on sales of short-term investments in securities	(8,811)	**(3,390)**	(9,375)
Loss on sales of short-term investments in securities	-	**-**	306
Loss on valuation of membership rights	12,025	**805**	16,475
Gain on sales of property, plant and equipment	(373,331)	**(3)**	(373,331)
Loss on sales of proprety, plant and equipment	544,679	**-**	544,715
Loss on disposal of property, plant and equipment	4,056	**64,861**	14,876
Insurance commission income	(997,755)	**(33,463)**	(952,759)
Loss due to disaster	955,913	**33,463**	892,390
Reorganization of offices expense	-	**75,431**	-
Increase/decrease in notes and accounts receivable-trade	888,514	**285,812**	1,038,711
Increase/decrease in inventories	(197,919)	**91,203**	1,589
Decrease in refunded consumption taxes receivable	-	**76,585**	-
Increase/decrease in other current assets	(51,026)	**(983,279)**	88,032
Increase/decrease in notes and accounts payable-trade	(77,778)	**160,559**	(294,788)
Increase/decrease in consumption taxes payable	(154,504)	**186,799**	(435,588)
Increase/decrease in other current liabilities	(147,630)	**637,654**	(470,600)
Payment of bonuses to directors and auditors	(300)	**(7,050)**	(300)
Minority Shareholders' Payment of bonuses to directors and auditors	-	**(3,250)**	-
Other	(35,966)	**(127,455)**	33,897
Net	482,822	**(568,577)**	(1,434,843)
Interest and dividend income received	18,632	**21,029**	39,379
Interest expense paid	(123,295)	**(111,448)**	(232,248)
Proceeds from damage insurance	369,755	**-**	952,759
Payment for damage repairing	(105,371)	**(119,305)**	(743,013)
Income taxes paid	(278,241)	**(69,771)**	(368,405)
Income taxes refunded	9,887	**10,227**	9,887
Net cash provided by operating activities:	374,189	**(837,846)**	(1,776,484)

(Thousands of Yen)

	First Half		Full Year
	Between April 1 and September 30		Ended March 31
	FY2006	**FY2007**	FY2006
Cash Flows from Investing Activities:			
Increase/decrease in time deposit	(89,370)	**-**	(40,586)
Increase in limited withdrawal deposit	(3,000,000)	**-**	(3,000,000)
Decrease in limited withdrawl deposit	-	**2,000,000**	1,000,000
Proceeds from sales of securities	53,796	**23,579**	103,998
Payment for purchases of securities	(30,345)	**-**	(79,924)
Proceeds from refunds of securities	-	**5,448**	-
Proceeds from sales of property, plant and equipment	4,400,000	**280**	4,400,000
Payment for purchases of property, plant and equipment	(231,138)	**(782,570)**	(518,995)
Proceeds from refunds of deposits and guaranty	(98,583)	**46,324**	(72,197)
Payment for monetary deposits refunded	(194,635)	**-**	(194,635)
Proceeds from cancellation of insurance reserve	-	**147,755**	-
Other	-	**926**	764
Net cash provided by investing activities:	809,723	**1,441,743**	1,598,423
Cash Flows from Financing Activities:			
Increase/decrease in short-term loans	(1,480,000)	**(210,000)**	(2,580,000)
Proceeds from long-term loans from banks	1,020,000	**1,200,000**	1,020,000
Repayment of long-term loans from banks	(1,424,830)	**(2,108,872)**	(2,772,036)
Proceeds from issuance of corporate bond	625,950	**-**	3,607,944
Payment for redemption of corporate bond	(100,000)	**(165,000)**	(265,000)
Proceeds from issuance of stock	12,682	**-**	12,682
Increase/decrease in treasury stock	(364)	**(328)**	(1,013)
Dividends paid	(395,073)	**(1,017)**	(396,443)
Other	(2,804)	**(4,694)**	(8,508)
Net cash provided by financing activities:	(1,744,439)	**(1,289,912)**	(1,382,373)
Effect of exchange rate changes on cash and cash equivalents	0	**0**	0
Net increase/decrease in cash and cash equivalents	(560,526)	**(686,015)**	(1,560,434)
Cash and cash equivalents at beginning of the fiscal term	2,959,330	**1,398,895**	2,959,330
Cash and cash equivalents at the end of the fiscal term	2,398,804	**712,880**	1,398,895

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

Six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

The SANIX Group has posted operating loss, recurring loss and negative operating cash flow in three out of four 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 four consecutive fiscal years.

Moreover, during the first half of the current year, the HS Division, the core business of the SANIX Group, 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 7, 2006. Due to the impact of these punishments, sales of the HS Division decreased significantly. As a result, for the first half of the current year, the SANIX Group posted again operating loss of 1,473 million yen, net loss of 1,579 million yen and negative operating cash flow of 837 million yen.
These circumstances may raise a serious doubt regarding the assumption of a going concern.

On August 9, 2006, to overcome these conditions, the Board of Directors of SANIX resolved at its meeting on the Business Streamlining Plan. Specific activities and their purposes are as follows:

(1) Closing and consolidation of sales offices

In the Kanto Area where the HS Division has been underperforming, all sales offices are closed except one location that will be engaged exclusively in customer management activities. In other geographical areas, underperforming sales offices are closed and consolidated into other profitable offices. In addition, certain facilities of indirect departments are reorganized to save costs related to these facilities and to improve the profitability of the operation.

(2) Personnel reduction

Following the closing and consolidation of sales offices as described above, the number of employees will be reduced to the optimum size according to the sales revenues of respective operations. Moreover, directors' remuneration and salaries were and will be reduced during the period from August 2006 to March 2007.
As of September 30, 2006, the Company had 2,269 employees (2,144 as of October 31, 2006), compared to 2,803 employees as of June 30, 2006. The personnel reduction has been implemented smoothly as planned, and we believe the personnel reduction target for the year can be achieved.

(3) Other cost reduction measures

Necessary measures are taken to reduce advertising expenses and other strategic expenses as well as overhead expenses including corporate/headquarters expenses.

Actually, the above-mentioned actions were implemented by the end of September 2006, which will result in reduction in labor and other fixed costs in and after the second half of the current year. In terms of a full year, we expect that the cost will be saved by 2.2 billion yen in fiscal 2006 and by 3.5 billion yen in and after fiscal 2007.

In addition to the sales office closing and consolidation, personnel reduction and other measures to improve the efficiency of operations, the SANIX Group will endeavor to establish a compliance system. To this end, 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.
Furthermore, the Department will establish a "Compliance Committee" comprising the president and other executive officers, which will meet periodically to report on the activities of the Compliance Department and the present status of compliance of SANIX, to provide a companywide compliance system.

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.

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

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.

1) 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:

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.

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	2 years – 17 years
Tools and furniture	2 years – 15 years

2) 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).

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

(3) 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 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 consolidated first quarter, based on the projected amount of retirement allowance liabilities and pension assets at the end of the current consolidated accounting period. 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.

4) 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 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

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.

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

Accounting treatment of consumption tax: Excluding tax method

5. 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.

Change in Accounting Method

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

(Current First Half ended September 30, 2006)

From the end of this first half, "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 17,876,650 thousand yen.

Following the revision of the Rules for Consolidated Interim Financial Statements, the consolidated financial statements of the SANIX Group for the six months ended September 30, 2006 were prepared in accordance with those revised rules.

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

(Current First Half ended September 30, 2006)

From the end of this first half, 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 Consolidated Interim Financial Statements, the consolidated financial statements of the SANIX Group for the six months ended September 30, 2006 were prepared in accordance with those revised rules.

Restatement / Reclassification

(Prior First Half ended September 30, 2005)

In past fiscal years, "deposit money received" was reported in a separate line on the balance sheet. In the current period, "deposit money received" (14,479,000 yen as of September 30, 2005) is included in "Others" under the "Fixed Assets" category because the amount has continued to be below 5/100 of the total of liabilities, minority interest and shareholders' equity.

On the balance sheet for the six months ended September 30, 2004, accounts payable were included in "Others" under the "Current Liabilities" category. On the balance sheet for the current interim period, "Accounts payable" (1,984, 792,000 yen as of September 30, 2004) is reported in a separate line because the amount exceeded 5/100 of the total of liabilities, minority interest and shareholders' equity.

Notes

Notes to Consolidated Balance Sheet

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Total accumulated depreciation for tangible fixed assets.	16,353,124	**17,694,055**	17,038,432

2. Hypothecated assets and secured liabilities

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Buildings and structures.	450,973	**429,023**	443,552
Machinery, equipment and vehicles.	571,057	**498,784**	532,616
Land	1,311,067	**1,311,067**	1,311,067
Other tangible fixed assets.	3,789	**3,525**	3,657
Total.	2,336,888	**2,242,401**	2,290,893

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Buildings and structures.	2,899,201	**3,270,435**	2,896,311
Land	10,616,750	**12,464,568**	10,743,310
Investments in securities	481,059	**576,880**	647,368
Time deposit	300,000	**100,000**	300,000
Deposit at notice	2,700,000	**-**	1,700,000
Total.	16,997,011	**16,411,884**	16,286,989

Secured liabilities (Thousands of Yen)

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Short-term loans	2,100,000	**2,040,000**	1,000,000
Lomg-term loans payable in 1 year	2,348,600	**2,128,400**	2,318,800
Long-term loans	4,788,900	**1,797,100**	3,583,700
Total.	9,237,500	**5,965,500**	6,902,500

3. Notes receivable and payable

(Current first half ended September 30, 2006)

Notes matured at the end of period are settled at the day of exchanging notes. Since the closing date of the current interim period was a bank holiday, the following notes receivable matured at the end of this interim period are included in the outstanding balance as of the interim period-end:

Notes receivable: 14,689 thousands of yen

Notes payable: 53,127 thousands of yen

4. Contingent liabilities

(Prior first half ended September 30, 2005)

(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 thousand yen), a modification cost (325,500 thousand yen) and a cleaning cost (17,417 thousand 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 thousand yen for the modification of the pre-treatment facilities in the Tomakomai Power Plant, and a petition dated December 9, 2005 that claims against the Sanix Group payment of overdue damages.

Notes to Consolidated Statement of Income

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Loading charge.	250,417	**167,795**	427,663
Advertisement.	524,202	**442,877**	808,702
Net provision for doubtful accounts.	11,281	**10,256**	13,237
Salaries and Wages.	5,447,264	**4,231,575**	10,610,693
Net prpvision for accrued bonuses.	131,997	**1,490**	122,235
Net provision for retirement benefit.	129,662	**65,779**	259,806
Legal fringe benefits.	664,456	**561,889**	1,303,869
Rent.	804,003	**858,952**	1,689,333
Depreciation.	159,920	**137,817**	322,880

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Buildings and structures.	361,324	**-**	361,324
Machinery, equipment and vehicles.	12,006	**3**	12,006
Total gain on sale of property, plant and equipment.	373,331	**3**	373,331

3. Insurance money received and loss due to disaster

(Prior consolidated first half accounting period between April 1 and September 30, 2005)

Insurance money received and 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 current interim period.

(Current consolidated first half accounting period between April 1 and September 30, 2006)

Insurance money received and losses due to disaster are those related to fire that occurred in the Ota 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 interim period.

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Land.	544,679	**—**	544,679
Intangible fixed assets	—	**—**	35
Total Loss on sale of property, plant and equipment.	544,679	**—**	544,715

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

	First Half between April 1 and September 30		Full Year ended March 31, 2006
	FY2006	**FY2007**	FY2006
Buildings and structures.	156	**63,396**	2,163
Machinery, equipment and vehicles.	3,829	**1,465**	11,941
Other tangible fixed assets.	69	**-**	772
Total loss on disposal of property, plant and equipment.	4,056	**64,861**	14,876

6. Loss due to disaster

(Prior consolidated accounting period between April 1, 2005 and 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 current interim 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 thousand yen. As a result, Sanix posted loss on settlement of construction cost of Tomakomai Power Plant.

Notes to Consolidated Statement of Changes in Net Assets

Current first half (April 1, 2006 to September 30, 2006)

1. Issues related to shares issued

	31-Mar-06	Increase	Decrease	30-Sep-06
Number of shares of issued (Shares)	41,224,736	7,694,660	-	**48,919,396**

(Reasons for changes)

The number of shares increased due to a following reason.

Conversion of unsecured convertible bonds with stock acquisition rights: 7,694,660 shares

2. Numbers of Shares of Treasury Stock

	31-Mar-06	Increase	Decrease	30-Sep-06
Number of shares of treasury stock (Shares)	1,207,223	880	-	**1,208,103**

(Reasons for changes)

The number of shares increased due to a following reason.

Purchase of odd stock: 880 shares

3. Numbers of Shares of Stock option

	31-Mar-06	Increase	Decrease	30-Sep-06
Number of shares of stock option (Shares)	7,694,660	-	7,694,660	**-**

(Reasons for changes)

The number of shares decreased due to a following reason.

Exercise of stock acquisition rights: 7,694,660 shares

4. Regarding dividends

No applicable matter.

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)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2006
	FY2006	**FY2007**	FY2006
Cash and bank deposits.	5,447,027	**712,880**	3,398,895
Time deposits exceeding 3 months.	(48,223)	**-**	-
Limited withdrawal deposits.	(3,000,000)	**-**	(2,000,000)
Cash and cash equivalents	2,398,804	**712,880**	1,398,895

Segment Information

1. Segment Information by type of business

Prior consolidated first-half accounting period (From April 1, 2005 to September 30, 2005)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers	12,546,864	2,883,429	5,118,375	20,548,668	-	20,548,668
(2)Internal sales among segments and transfer accounts.	-	-	237	237	(237)	-
Total	12,546,864	2,883,429	5,118,612	20,548,906	(237)	20,548,668
Operating expenses	10,790,853	2,922,363	6,086,556	19,799,773	1,573,834	21,373,608
Operating income(loss)	1,756,010	(38,934)	(967,943)	749,132	(1,574,071)	(824,939)

Current consolidated first-half accounting period (From April 1, 2006 to September 30, 2006)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating profit or loss*						
Sales:						
(1)Sales to customers	8,475,124	2,212,160	4,845,191	15,532,476	-	15,532,476
(2)Internal sales among segments and transfer accounts.	-	-	809	809	(809)	-
Total	8,475,124	2,212,160	4,846,000	15,533,286	(809)	15,532,476
Operating expenses	7,661,973	2,386,331	5,559,365	15,607,671	1,398,199	17,005,870
Operating income(loss)	813,150	(174,171)	(713,364)	(74,384)	(1,399,009)	(1,473,394)

Prior consolidated fiscal year accounting period (April1, 2005 to March 31, 2006)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
Sales, operating income or loss*						
Sales:						
(1)Sales to customers	20,905,269	5,406,150	10,198,206	36,509,626	-	36,509,626
(2)Internal sales among segments and transfer accounts.	-	-	794	794	(794)	-
Total	20,905,269	5,406,150	10,199,001	36,510,421	(794)	36,509,626
Operating expenses	19,352,912	5,666,888	11,800,171	36,819,972	3,072,627	39,892,599
Operating income(loss)	1,552,357	(260,738)	(1,601,170)	(309,551)	(3,073,422)	(3,382,973)

(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. . . . .¥1,574,071 thousand

   Prior consolidated first half accounting period. . . . .¥1,399,009 thousand

   Prior consolidated fiscal year accounting period. . . . .¥3,073,422 thousand

2. Segment information by location

Previous first half (April 1, 2005 to September 30, 2005)

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.

Current first half (April 1, 2006 to September 30, 2006)

The Company does not report segment information by location because the Company does not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan.

Previous fiscal year (April 1, 2005 to March 31, 2006)

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

Previous first half (April 1, 2005 to September 30, 2005)

The Company does not report foreign sales because foreign sales were less than 10% of consolidated sales.

Current first half (April 1, 2006 to September 30, 2006)

None

Previous fiscal year (April 1, 2005 to March 31, 2006)

The Company does not report foreign sales because foreign sales were less than 10% of consolidated sales.

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

(Thousands of Yen)

	First Half		Full Year
	between April 1 and September 30		ended March 31, 2006
	FY2006	**FY2007**	FY2006
	Machinery and Vehicle		
Book Value	1,107,492	**814,000**	1,000,816
Cumulative depreciation	683,603	**486,591**	654,576
Value at end of half year	423,889	**327,408**	346,240
	Others (Tool Function)		
Book Value	628,006	**545,123**	663,280
Cumulative depreciation	332,435	**277,755**	367,970
Value at end of half year	295,570	**267,368**	295,310
	Total		
Book Value	1,735,499	**1,359,124**	1,664,097
Cumulative depreciation	1,016,039	**764,347**	1,022,546
Value at end of half year	719,460	**594,777**	641,550
②Outstanding balance of future lease payments at the end of the period:			
Within one year	314,140	**354,949**	276,255
Over one year	426,057	**265,136**	399,179
Total	740,198	**620,086**	675,434
③Amount of lease fee payments, depreciation expense and interest expense:			
Lease fee payments	215,044	**148,317**	401,191
Depreciation expense	201,072	**136,605**	367,281
Interest expense	8,842	**8,257**	17,454

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 transactions:

Outstanding balance of future lease payments

Within one year	-	**110,550**	111,724
Over one year	-	**176,817**	175,443
Total	-	**287,368**	287,168

Notes to Short-Term Investments

1. First half ended September 30, 2005

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

	First Half As of September 30, 2005		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	301,701	481,863	180,161
Other	24,980	24,689	(290)
Total	326,681	506,552	179,871

(2) Principal marketable securities without market price (Thousands of Yen)

	First Half As of September 30, 2005
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks	634,147
Total	634,147

2. First half ended September 30, 2006

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

	First Half As of September 30, 2006		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	301,701	578,236	276,535
Other	-	-	-
Total	301,701	578,236	276,535

(2) Principal marketable securities without market price (Thousands of Yen)

	First Half As of September 30, 2006
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks	634,147
Total	634,147

3. Fiscal year ended March 31, 2006

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

	Full Year As of March 31, 2006		
	Acquisition Cost	Value stated on consolidated balance sheet	Balance
Stocks	301,701	648,641	346,939
Other	25,188	28,565	3,376
Total	326,890	677,206	350,316

(2) Principal marketable securities without market price (Thousan ds of Yen)

	Full Year As of March 31, 2006
	Value stated on consolidated balance sheet
Other marketable securities	
Non-listed stocks (exluding OTC stocks)	634,147
Total	634,147

Notes to Derivative transactions

Six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

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, 2006 (April 1, 2006 to September 30, 2006)

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.

Fiscal year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

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.

Net Sales by Division

	First Half from April 1 to September 30		Changes	Full Year ended March 31
	FY2006	**FY2007**		FY2006
Termite eradication service	5,253,475	**4,204,994**	(1,048,481)	8,842,095
Under-roof/floor ventilation system	3,774,110	**2,420,671**	(1,353,439)	6,447,083
Home reinforcement system	1,596,585	**508,235**	(1,088,350)	2,363,629
Other	1,922,692	**1,341,223**	(581,468)	3,252,461
Home Sanitation Division Total:	12,546,864	**8,475,124**	(4,071,739)	20,905,269
Water activator installation	940,588	**562,993**	(377,595)	1,731,055
Repair of building water-works	833,450	**725,895**	(107,554)	1,591,745
Waterproofing of building	531,966	**375,942**	(156,024)	910,746
Other	577,423	**547,329**	(30,093)	1,172,602
Establishment Sanitation Division Total:	2,883,429	**2,212,160**	(671,268)	5,406,150
Industrial waste (Waste plastic processing)	2,807,467	**2,305,548**	(501,919)	5,309,801
Generation of electricity	535,661	**665,832**	130,170	1,002,314
Industrial waste (Organic waste water recycle)	742,819	**954,646**	211,827	1,810,730
Industrial waste (Incineration)	407,304	**647,777**	240,373	1,005,792
Other	625,121	**271,385**	(353,736)	1,069,567
Environmental Resources Development Division Total:	5,118,375	**4,845,191**	(273,184)	10,198,206
Total Net Sales:	20,548,668	**15,532,476**	(5,016,192)	36,509,626