



SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the First Half Ended September 30, 2020

[Japanese Standards]

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

Consolidated Financial Statements for the First Half ended September 30, 2020

SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Fukuoka Stock Exchange
 Code No: 4651
 URL: <https://sanix.jp>
 President and CEO: Hiroshi Munemasa
 Contact: Koza Inoue, Director, Management Corporate Officer,
 General Manager of Corporate Planning Division, Administration Division and
 Management & Planning Division

1. Business Results – Operating results for the First Half ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results

(In Millions of Yen)

	First Half			
	From April 1 to September 30			
	FY2020	%change	FY2019	%change
Net Sales.....	23,947	(2.4%)	24,538	0.4%
Operating Income	1,664	7.3%	1,551	125.4%
Ordinary Income.....	1,562	9.3%	1,429	107.4%
Net Income	1,410	23.7%	1,140	487.2%
Net Income per Share (¥).....	¥29.51	—	¥23.85	—
Net Income per Share, Diluted(¥).....	—	—	—	—
(Note) Comprehensive Income	1,425	—	1,084	—

(2) Consolidated Financial Position

(In Millions of Yen)

	As of September 30	As of March 31
	FY2020	FY2019
	Total Assets.....	30,938
Net Assets	7,482	6,056
Shareholders' Equity Ratio (%)	24.1%	18.5%
Net assets per share(¥).....	¥155.96	¥126.15
(Reference) Equity Capital.....	7,455	6,030

2. Dividends

	End of Quarterly Period				Annual
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
(Dividends per Share)					
FY2019 ended March 31, 2020 (¥)	0.00	0.00	0.00	0.00	0.00
FY2020 ended March 31, 2021 (¥)	0.00	0.00			
FY2020 ended March 31, 2021 (¥) (Forecast)			0.00	0.00	0.00

(Note) Revision from the most recently announced dividend forecast: None

3. Forecasts for Consolidated Business Results (April 1, 2020 to March 31, 2021)

(In Millions of Yen)

	Fiscal Year 2020	
	Full Year	%change
Net Sales.....	49,738	(5.3%)
Operating Income	1,940	(30.5%)
Ordinary Income.....	1,785	(31.1%)
Net Income	1,345	(27.3%)
Net Income per Share (¥).....	¥28.14	

(Note) Revision from the most recently announced forecast of consolidated business results: Exist

* Notes

(1) Changes in significant subsidiaries during the period

(Change in scope of consolidations resulting from change in subsidiaries): None

Number of subsidiaries newly consolidated	—
Name of subsidiaries newly consolidated	—
Number of subsidiaries excluded from consolidation	—
Name of subsidiaries excluded from consolidation	—

(2) Adoption of special quarterly accounting methods: None

(3) Changes in accounting policies and accounting estimates retrospective restatement

- i) Changes in accounting policies based on revisions of accounting standard: None
- ii) Changes in accounting policies other than ones based on revisions of accounting standard: None
- iii) Changes in accounting estimates: None
- iv) Retrospective restatement: None

(4) Number of Issued and Outstanding Shares (Common Stock)

	End of term	
	September 30, 2020	March 31, 2019
Number of issued and outstanding shares ,end of period (including treasury stock)	48,919,396	48,919,396
Number of treasury stock ,end of period.....	1,114,493	1,114,443
Average number of shares during the fiscal term.....	47,804,939	* 47,805,212

* September 30, 2019

* This summary of financial statements is exempt from audit procedure required by Financial instruments and Exchange Act.

* Note to ensure appropriate use of forecasts:

Forecasts in this document 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. For details of these assumptions, prospects and plans, and for notes appropriate use of forecasts for the business results, please see page 2 of the Attachment.

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1. Qualitative Information for the First Half ended September 30, 2020

(1) Information of Consolidated Business Results

In the first half of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020), the Japanese economy faced a significantly stagnated situation due to the spread of COVID-19.

Although there are signs of a recovery in current economic trends as economic activity resumes, the outlook is expected to remain bleak due to the effects of the curbing of capital expenditure, deterioration in employment and income conditions, and a decline in consumer spending.

In this social situation, the Group continued its business, prioritizing the prevention of the spread of COVID-19.

Sales decreased in the Solar Engineering (SE) Division, reflecting the delayed installation of solar electric power systems caused by the delayed marketing of new systems due to the spread of COVID-19. Sales in the Energy Business (EB) Division fell chiefly due to a decrease in power supply per high-voltage power supply destination and a decline in wholesale electric power. Sales in the Home Sanitation (HS) Division were on par with those in the same period of the previous year, although the Division voluntarily refrained from starting new operations during the state of emergency. Sales rose year on year in the Establishment Sanitation (ES) Division and the Environmental Resources Development (ERD) Division. As a result, net sales in the entire Group stood at ¥23,947 million (down 2.4% year on year).

Profit increased in the ERD Division, reflecting the increase in sales. Profit fell in the SE and EB Divisions, where sales dropped. Profit also declined in the HS and ES Divisions due to an increase in cost resulting chiefly from a rise in the number of personnel. For the entire Group, operating income came to ¥1,664 million (up 7.3% year on year) and ordinary income was ¥1,562 million (up 9.3% year on year). Net income attributable to owners of the parent company stood at ¥1,410 million (up 23.7% year on year).

Consolidated results of individual divisions for the first quarter were as follows:

a. SE (Solar Engineering) Division

Sales from solar electric power systems fell, reflecting the delayed marketing of new systems due mainly to the spread of COVID-19, despite steady progress in the installation of those systems with land, which is an ongoing project from the previous term. Net sales in this segment decreased to ¥5,399 million (down 3.7% year on year).

The segment posted operating income of ¥233 million (down 21.7% year on year) primarily due to the decrease in sales despite restraints on selling, general and administrative expenses.

b. HS (Home Sanitation) Division

In the HS Division, the Group voluntarily refrained from starting new operations during the

state of emergency following the spread of COVID-19 and limited operations to answering inquiries from customers. After the state of emergency was lifted, the Group returned to normal business while implementing infection prevention measures. As a result, termite eradication service fell 3.0% year on year and foundation repairing/home reinforcement system decreased 12.8% year on year, but under-roof/roof ventilation system increased 28.1% year on year. The division's sales were ¥5,886 million (up 0.0% year on year).

Operating income stood at ¥1,168 million (down 5.4% year on year) because of a rise in personnel and other expenses due to an increase in staff.

c. ES (Establishment Sanitation) Division

ES Division strengthened its relationships with the owners of buildings and condominiums and partner companies, including management companies, for years, actively increasing personnel and opening offices. Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, rose 2.5% year on year and sales of repair of building water-works rose 32.9% year on year, while sales of building waterproof paint repair fell 41.9% year on year. The division's net sales rose to ¥1,132 million (up 2.8% year on year).

Operating income fell to ¥118 million (down 13.6% year on year) due to an increase in costs, such as a rise in personnel expenses associated with an increase in staff, which more than offset the effect of the increase in sales.

d. Environmental Resources Development (ERD) Division

Plastic fuel sales increased 9.4% year on year due to the thorough acceptance inspection of waste plastic articles, though the acceptance volume declined. Power plant sales dropped 4.5% year on year, and organic waste water recycle fell 4.2% year on year, reflecting a decrease in the acceptance volume. Final disposal decreased 18.3% year on year. Net sales in this division stood at ¥8,296 million (up 3.1% year on year).

Operating income stood at ¥1,974 million (up 19.3% year on year), chiefly reflecting an increase in profitability attributable to the thorough acceptance inspection of waste plastic, among other factors.

e. Energy Business Division

Net sales stood at ¥4,402 million (down 12.7% year on year), chiefly reflecting a decline in retail sales of high-voltage power due to a decrease in the number of contracts in the new electricity business and a drop in wholesale supply to the electricity market as a result of cancellation of part of procurement through negotiations.

An operating loss of ¥33 million (an operating loss of ¥30 million in the same period of the previous fiscal year) was posted due to the significant effect of the increase in personnel and other costs as a result of a rise in those promoting the third-party owned solar electric power model for detached houses that the EB Division has been working on with other companies, although the profitability of its new electricity business improved due to the partial cancellation of relative procurement.

(2) Information of Consolidated Financial Position

a. Information on the status of Assets, of Liabilities, and of Net Assets

Total assets as of the end of the first half under review amounted to ¥30,938 million, a decrease of ¥1,576 million from the end of the previous fiscal year, which was caused chiefly by a decrease in cash and deposits of ¥1,446 million, a drop in notes and accounts receivable-trade of ¥872 million, and a decline in raw materials and supplies of ¥323 million, despite a rise in property, plant and equipment of ¥1,142 million. Total liabilities stood at ¥23,456 million, a decline of ¥3,001 million from the end of the previous fiscal year, which was attributable largely to decreases in notes and accounts payable-trade of ¥1,196 million, accounts payable-other of ¥922 million, and short-term loans payable of ¥873 million. Net assets totaled ¥7,482 million, an increase of ¥1,425 million from the end of the previous fiscal year. The key contributions to the increase included the posting of net income attributable to the owners of the parent company of ¥1,410 million.

Consequently, the capital-to-asset ratio for the first half of the fiscal year under review came to 24.1%, an increase from 18.5% at the end of the previous fiscal year.

b. Information on Consolidated Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of September 30, 2020 totaled ¥4,142 million, a decrease of ¥1,116 million from March 31, 2020, due to net cash used in investing activities and financing activities of ¥1,318 million and ¥424 million, respectively, despite cash provided by operating activities of ¥619 million.

Cash flows and the reasons for changes in cash flows during the first half of the fiscal year under review are described below.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities totaled ¥619 million (compared with net cash provided of ¥819 million in the same period last year). This was mainly due to a drop in trade payable of ¥1,268 million and a decrease in accounts payable-other of ¥1,004 million, while income before income taxes of ¥1,562 million and a depreciation of ¥511 million as a non-cash expenditure item was posted and trade receivables decreased by ¥872 million.

(Net Cash Provided by Investment Activities)

Net cash used in investing activities totaled ¥1,318 million (compared with net cash used of ¥1,753 million in the same period of the previous year). This was mainly due to the payment of ¥1,436 million for the purchase of property, plant and equipment.

(Net Cash Provided by Financing Activities)

Net cash used in financing activities amounted to ¥424 million (compared with net cash provided of ¥523 million in the same period of the previous year). The major causes included a decrease of ¥873 million in short-term loans payable.

(3) Information on the Future Outlook, Including the Forecasts of Consolidated Business Results

The Company revised its forecasts for the consolidated business results for the fiscal year ending March 31, 2021 on November 12, 2020, as described below, taking into account the results for the first half of the fiscal year.

Net sales are expected to fall below the previous forecast due to a decrease in net sales in the Energy Business Division.

Operating income, ordinary income, and net income attributable to owners of the parent company are expected to remain unchanged from the initial forecasts based on the review for each business division, despite net sales falling short of the forecast.

The forecast of Consolidated Business Results for the full fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(In Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share/¥
Previous Forecast (A)	50,343	1,940	1,785	1,345	¥28.14
Revised Forecast (B)	49,738	1,940	1,785	1,345	¥28.14
Changes (B-A)	- 605	0	0	0	—
Rate of Change (%)	(-1.2)	(0.0)	(0.0)	(0.0)	—
Reference: Results for FY2018 (ended March 31,2020)	52,531	2,791	2,592	1,850	¥38.72

2. Quarterly Consolidated Financial Statements and the Primary Notes for the First Half ended September 30, 2020

(1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2019	FY2020
Assets :		
Current Assets :		
Cash and deposits	5,919	4,473
Notes and accounts receivable-trade	5,453	4,580
Merchandise and finished goods	56	48
Work in process-construction	333	158
Raw materials and supplies	3,354	3,031
Other	1,362	1,259
Allowance for doubtful accounts	(202)	(202)
Total Current Assets	16,277	13,349
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,732	1,670
Machinery, Equipment and Vehicles(net of depreciation)	2,071	2,298
Land	8,053	8,091
Other (net of depreciation)	1,882	2,821
Total Property, Plant and Equipment	13,739	14,882
Intangible Fixed Assets :	450	650
Investments and Other Assets :	2,047	2,055
Total Fixed Assets	16,237	17,589
Total Assets	32,514	30,938

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2019	FY2020
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	3,716	2,519
Short-term loans payable	9,525	8,652
Current portion of long-term loans payable	928	915
Accounts payable	3,471	2,548
Accrued income taxes	687	309
Provision for bonuses	256	256
Allowance for resource-recycling expenses	5	8
Other	2,986	2,887
Total Current Liabilities	21,576	18,097
Non-Current Liabilities :		
Bonds payable	500	500
Long-term loans payable	262	296
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	637	659
Liability related to retirement benefits	1,727	1,792
Other	1,744	2,099
Total Non-Current Liabilities	4,881	5,359
Total Liabilities	26,458	23,456
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(6,506)	(5,095)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	6,055	7,466
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	31	50
Foreign currency translation adjustment	(90)	(78)
Adjustment for retirement benefits (cumulative)	34	17
Total Accumulated other comprehensive income	(25)	(10)
Non-controlling Interests	26	26
Total Net Assets	6,056	7,482
Total Liabilities and Assets	32,514	30,938

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(for the first half of the fiscal year ending March 31, 2021)

	(In Millions of Yen)	
	First Half	
	From April 1 to September 30	
	FY2019	FY2020
Net sales	24,538	23,947
Cost of sales	15,675	14,815
Gross profit	8,863	9,132
Selling, general and administrative expenses	7,311	7,467
Operating income	1,551	1,664
Non-operating income :		
Interest income	8	9
Dividends income	1	1
Land and house rent revenue	31	31
Foreign exchange gains	8	-
Subsidy income	2	-
Other	20	28
Total non-operating income	72	71
Non-operating expenses :		
Interest expenses	101	103
Commission paid	75	1
Foreign exchange losses	-	0
Impairment losses on fixed assets	3	39
Other	14	28
Total non-operating expenses	194	172
Ordinary income (loss)	1,429	1,562
Income (loss) before income taxes and minority interests	1,429	1,562
Income taxes-current	296	93
Income taxes-deferred	(4)	58
Total income taxes	292	151
Net Income (loss)	1,137	1,410
Net Income (loss) belonging to the non-controlling shareholders	(3)	0
Net income belonging to the shareholders of the parent company	1,140	1,410

(Quarterly Consolidated Statements of Comprehensive Income)
(for the first half of the fiscal year ending March 31, 2021)

	(In Millions of Yen)	
	First Half	
	From April 1 to September 30	
	FY2019	FY2020
Net Income	1,137	1,410
Other comprehensive income :		
Valuation difference on available-for-sale securities	(10)	19
Foreign currency translation adjustment	(84)	12
Retirement benefit adjustment	42	(17)
Total other comprehensive income	(52)	14
Comprehensive net income	1,084	1,425
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	1,088	1,425
Comprehensive income belonging to non-controlling shareholders	(3)	0

(3) Quarterly Consolidated Statements of Cash Flows

(In Millions of Yen)

	First Half	
	From April 1 to September 30	
	FY2019	FY2020
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	1,429	1,562
Depreciation and amortization	431	511
Increase(Decrease) in Provision for bonuses	167	(0)
Increase (Decrease) in allowance for disposal site closing expenses	9	21
Increase (Decrease) in allowance for resource-recycling expenses	3	3
Increase (decrease) in provision for retirement benefits	61	48
Increase (decrease) in allowance for doubtful accounts	(17)	(4)
Interest income and dividends income	(9)	(10)
Interest expenses	101	103
Increase (decrease) in notes and accounts receivable-trade	897	872
Increase (decrease) in inventories	217	508
Increase (decrease) in other current assets	(414)	(71)
Increase (decrease) in notes and accounts payable-trade	(454)	(1,268)
Accounts payable	(1,356)	(1,004)
Increase (decrease) in accrued consumption taxes	(106)	(48)
Increase (decrease) in other current liabilities	180	(161)
Other, net	64	74
Subtotal	1,206	1,135
Interest and dividends income received	9	10
Interest expenses paid	(97)	(109)
Income taxes paid	(306)	(431)
Income taxes refund	7	15
Net cash provided by (used in) operating activities	819	619
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(832)	(307)
Proceeds from withdrawal of time deposits	659	640
Purchase of property, plant and equipment	(1,492)	(1,436)
Proceeds from sales of property, plant and equipment	1	7
Purchase of intangible assets	(94)	(173)
Other	6	(48)
Net cash provided by (used in) investing activities	(1,753)	(1,318)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,170)	(873)
Proceeds from long-term loans payable	928	180
Repayment of long-term loans payable	(109)	(158)
Proceeds from issuance of bonds	500	-
Repayments of finance lease obligations	(118)	(160)
Other, net	445	587
Net cash provided by (used in) financing activities	(523)	(424)
Effect of exchange rate change on cash and cash equivalents	(58)	6
Net increase (decrease) in cash and cash equivalents	(1,515)	(1,116)
Cash and cash equivalents, beginning of the period	4,497	5,259
Cash and cash equivalents, end of the quarter	2,982	4,142

(4) Notes regarding the Quarterly Consolidated Financial Statements**(Notes to the Assumption of a Going Concern)**

: None

(Notes to Remarkable Changes in the amount of Shareholders' Equity)

: None

(Segment Information, etc.)**I The previous first half (From April 1, 2019 to September 30, 2019)****i) Information concerning the Amount of Net Sales and Operating Income (loss) by Segment**

(In Millions of Yen)

	Segments						Elimination or Group (note 1)	Consolidated (note 2)
	SE	HS	ES	ERD	Energy	Total		
Sales:								
Sales to customers	5,606	5,884	1,102	6,903	5,041	24,538	-	24,538
Internal sales among segments and transfer accounts	-	-	-	-	-	-		
				1,142		1,142	(1,142)	-
Total	5,606	5,884	1,102	8,045	5,041	25,680	(1,142)	24,538
Operating income (loss)	298	1,235	137	1,655	(30)	3,295	(1,744)	1,551

(note 1)

Negative ¥1,744 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2)

Operating income (loss) is adjusted to operating loss of quarterly consolidated statements of income.

II The first half (From April 1, 2020 to September 30, 2020)**i) Information concerning the Amount of Net Sales and Operating Income (loss) by Segment**

(In Millions of Yen)

	Segments						Elimination or Group (note 1)	Consolidated (note 2)
	SE	HS	ES	ERD	Energy	Total		
Sales:								
Sales to customers	5,399	5,886	1,132	7,126	4,402	23,947	-	23,947
Internal sales among segments and transfer accounts	-	-	-	-	-	-		
				1,169		1,169	(1,169)	-
Total	5,399	5,886	1,132	8,296	4,402	25,117	(1,169)	23,947
Operating income (loss)	233	1,168	118	1,974	(33)	3,462	(1,798)	1,664

(note 1)

Negative ¥1,798 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2)

Operating income (loss) is adjusted to operating loss of quarterly consolidated statements of income.

3. Other

Consolidated Net Sales by Division

	(In Millions of Yen)		
	From April 1 to September 30		Changes
	FY2019	FY2020	
Commercial PV system	5,417	5,248	(168)
Wholesale of PV components	121	98	(22)
Others	67	51	(16)
Solar Engineering Total	5,606	5,399	(207)
Termite Eradication Service	1,991	1,931	(60)
Under-Floor/Roof Ventilation System	1,187	1,520	333
Foundation Repairing/Home Reinforcement System	969	845	(124)
Others	1,736	1,588	(147)
Home Sanitation Division Total	5,884	5,886	1
Anti-rust equipment installation	554	568	14
Repair of building water-woks	215	286	71
Water proofing of building	143	83	(60)
Others	188	194	5
Establishment Sanitation Division Total	1,102	1,132	30
Plastic fuel	4,703	5,146	443
Power Stations	1,644	1,570	(73)
Industrial waste (Organic Waste Water Recycle)	962	921	(40)
Final disposal	470	384	(86)
Others	264	272	8
Environmental Resources Development Division Total :	8,045	8,296	250
Electricity sales	5,011	4,165	(845)
Others	30	236	206
Energy Business Division Total:	5,041	4,402	(639)
Adjustment of inter-segment sales	(1,142)	(1,169)	(26)
Total Net Sales	24,538	23,947	(590)