



# **SANIX INCORPORATED**

Summary of Consolidated Financial Statements

For the First Quarter Ended June 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 Quarter ended June 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: Kozo 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 Quarter ended June 30, 2020 (April 1, 2020 to June 30, 2020)

### (1) Consolidated Operating Results

(In Millions of Yen)

	First Quarter			
	From April 1 to June 30			
	FY2020	%change	FY2019	%change
Net Sales.....	11,893	2.5%	11,603	(1.1%)
Operating Income .....	784	26.0%	623	499.7%
Ordinary Income .....	755	25.8%	600	287.8%
Net Income .....	663	52.2%	436	291.5%
Net Income per Share (¥) .....	¥13.89	—	¥9.12	—
Net Income per Share, Diluted(¥).....	—	—	—	—
(Note) Comprehensive Income .....	653	63.5%	399	336.1%

### (2) Consolidated Financial Position

(In Millions of Yen)

	As of June 30	As of March 31
	FY2020	FY2019
	Total Assets.....	30,839
Net Assets .....	6,710	6,056
Shareholders' Equity Ratio (%) .....	21.7%	18.5%
Net assets per share(¥).....	¥139.81	¥126.15
(Reference) Equity Capital.....	6,683	6,083

## 2. Dividends

	Quarterly Period				Annual
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> 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				
FY2020 ended March 31, 2021(Forecast)		0.00	0.00	0.00	0.00

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

(In Millions of Yen)

	Fiscal Year 2020			
	From April 1 to March 31			
	First Half	%change	Full Year	%change
Net Sales.....	24,180	(1.5%)	50,343	(4.2%)
Operating Income .....	1,306	(15.8%)	1,940	(30.5%)
Ordinary Income .....	1,197	(16.2%)	1,785	(31.1%)
Net Income .....	982	(13.8%)	1,345	(27.3%)
Net Income per Share (¥) .....	¥20.56		¥28.14	

### \* 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)

	(Shares)	
	End of term	
	June 30, 2020	March 31, 2020
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	1,114,443	1,114,443
Average number of shares during the fiscal term	47,804,953	* 47,805,223

\* June 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:

The forward-looking statements, including results forecasts, included in this material are based on the information that the Company has obtained and certain assumptions that the Company considers reasonable. Actual results may differ significantly for a range of factors. The assumptions for the results forecasts and cautions in the use of the forecasts are described in 1. Qualitative Information for the First Quarter Ended June 30, 2020, (3) Information on the Future Outlook, Including the Forecasts of Consolidated Business Results on page 3 of the Attachment.

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## 1. Qualitative Information for the first quarter ended June 30, 2020

### (1) Information of Consolidated Business Results

During the first quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020), the Japanese economy faced an extremely challenging situation due to the spread of COVID-19. Although economic activity is gradually resuming, the economy has been significantly affected by the curbing of capital expenditure, deterioration in employment and income conditions and a sharp fall in consumer spending. As a consequence, the outlook for the economy remains extremely uncertain.

In this social situation, the Group continued its business, prioritizing the prevention of the spread of the coronavirus.

Sales increased in the Solar Engineering (SE) Division, reflecting steady progress in the installation of solar electric power systems with land. Sales rose year on year also in the Establishment Sanitation (ES) Division and the Environmental Resources Development (ERD) Division. In the Home Sanitation (HS) Division, the Group voluntarily refrained from starting new operations in the areas subject to the state of emergency as the coronavirus spread. Sales in the Energy Business (EB) Division fell chiefly due to a decrease in power supply per high-voltage power supply destination and a fall in wholesale electric power. Net sales at the entire Group stood at ¥11,893 million (up 2.5% year on year).

Profit increased in the SE Division and in the ERD Division, reflecting the increase in sales. Profit fell in the HS Division and in the EB Division, where sales dropped. Profit declined also in the ES Division due to an increase in cost resulting chiefly from an increase in the number of personnel. For the entire Group, operating income came to ¥784 million (up 26.0% year on year) and ordinary income was ¥755 million (up 25.8% year on year). Net income attributable to owners of the parent company stood at ¥663 million (up 52.2% 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 rose, reflecting good progress made in the installation of solar electric power system with land as in the previous fiscal year. Net sales in this segment increased to ¥3,024 million (up 28.4% year on year).

The segment posted operating income of ¥263 million (operating income of ¥20 million in the same period of the previous fiscal year) primarily due to the rise in sales and also because of a reduction in selling, general and administrative expenses.

**b. HS (Home Sanitation) Division**

In the HS Division, the Group voluntarily refrained from starting new operations in the areas subject to the state of emergency declared following the spread of the coronavirus and limited operations to answering inquiries from customers. As a result, termite extermination fell 7.0% year on year and basic repair work and home reinforcement decreased 14.5% year on year. The division's sales dropped to ¥2,854 million (down 3.2% year on year).

Operating income stood at ¥545 million (down 16.8% year on year) chiefly due to the fall in sales and an increase in costs, including a rise in personnel 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, fell 2.8% year on year, but sales of repair of building water-works and building waterproof paint repair rose 23.7% year on year and 52.5% year on year, respectively. The division's net sales rose to ¥520 million (up 6.8% year on year).

Operating income fell to ¥29 million (down 27.5% 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. ERD (Environmental Resources Development) Division**

Plastic fuel sales increased 8.8% year on year due to the thorough acceptance inspection of waste plastic articles although the acceptance volume declined. Power plant sales dropped 9.7% year on year, and organic waste water recycle fell 5.9% year on year, reflecting a decrease in the acceptance volume. Final disposal decreased 24.9% year on year. Net sales in this division stood at ¥4,131 million (up 0.9% year on year).

Operating income stood at ¥942 million (up 8.7% year on year), chiefly reflecting an increase in profitability attributable to thorough acceptance inspection of waste plastic, among other factors.

**e. Energy Business Division**

Net sales stood at ¥1,963 million (down 16.2% year on year), chiefly reflecting a decline in retail sales of high-voltage power due to a fall in the number of contracts and a fall in wholesale supply to the electricity market as a result of cancellation of part of procurement through negotiations.

An operating loss of ¥80 million (an operating loss of ¥41 million in the same period of the previous fiscal year) was posted due to the significant effect of the decrease in net sales.

## **(2) Information of Consolidated Financial Position**

Total assets as of the end of the first quarter under review amounted to ¥30,839 million, a decrease of ¥1,675 million from the end of the previous fiscal, which was caused chiefly by a fall in notes and accounts receivable-trade of ¥1,202 million and a decrease in cash and deposits of ¥494 million. Total liabilities stood at ¥24,129 million, a decline of ¥2,329 million from the end of the previous fiscal year, which was attributable largely to decreases in notes and accounts payable-trade of ¥884 million, accounts payable-other of ¥674 million, accrued income taxes of ¥494 million and short-term loans payable of ¥403 million. Net assets totaled ¥6,710 million, an increase of ¥653 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 ¥663 million.

Consequently, the capital-to asset ratio for the first quarter of the fiscal year under review came to 21.7%, an increase from 18.5% at the end of the previous fiscal year.

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

Forecasts for consolidated business results for the fiscal year ending March 31, 2021 have not been determined because it is difficult to rationally assess the impact that the spread of COVID-19 will have. On the assumption that there will be no big second wave and that companies and households will voluntarily continue striving to prevent infections until the coronavirus subsides worldwide and economic activities will recover only modestly, the Company is making its earnings forecasts for the fiscal year ending March 31, 2021 from a conservative perspective.

In this social situation, the Group will prioritize building a stable profit structure based on the existing businesses. In the second year of the Medium-Term Management Plan (FY2019-FY2021), where the Group will aim to achieve growth by developing new businesses and services, the Group will prioritize also building a stable earnings base in each business. Forecasts for each business division are as follows:

In the SE Division, the FIT system has changed from a system where all electricity generated is sold to a system that promotes self-consumption. Responding to the change, the Group will shift the focus of its sales strategy to self-consumption. It will take some time before the change in strategy produces results. In addition, the Group cannot expect any projects to install and sell new solar power electric systems with land, which had solid sales in the same period of the previous year. The Group thus forecasts a year-on-year fall in sales.

The HS Division will continue to execute the strategy that it has pursued for the last several



years. The division will strive to increase the number of customers by boosting the number of staff to gain new customers and expanding services to the existing customers.

The ES Division will expand sales channels for anti-rust equipment installation (brand name: Daelman Shock), its main product, through the cultivation of partners such as management companies, introductions from existing partners with whom it has built close relationships and increasing opportunities for direct business talks with real estate owners.

The ERD Division will increase the profit margin percentage and efficiency by conducting close examinations of articles to be accepted to improve the quality of plastic fuels. There is increasing momentum to reuse waste plastic as resources and growing interest in the appropriate treatment of waste plastic. In this environment, the Group will take advantage of its experience to contribute to building a resource recycling society.

The EB division posted a significant loss in the previous fiscal year. The division will review its electric power procurement policy and will increase the ratio of procurement from markets where transaction prices are on a downward trend to improve profitability.

The Company forecasts net sales of ¥50,343 million (down 4.2 % year on year), operating income of ¥1,940 million (down 30.5% year on year) and ordinary income of ¥1,785 million (down 31.1% year on year). Net income attributable to the owners of the parent company is forecast to be ¥1,345 million (down 27.3% year on year).

## 2. Quarterly Consolidated Financial Statements and the Primary Notes for the first quarter ended June 30, 2020

### (1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of March 31	As of June 30
	FY2019	FY2020
<b>Assets :</b>		
Current Assets :		
Cash and deposits	5,919	5,424
Notes and accounts receivable-trade	5,453	4,251
Merchandise and finished goods	56	54
Work in process-construction	333	188
Raw materials and supplies	3,354	3,338
Other	1,362	1,148
Allowance for doubtful accounts	(202)	(202)
Total Current Assets	16,277	14,204
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,732	1,698
Machinery, Equipment and Vehicles(net of depreciation)	2,071	2,139
Land	8,053	8,091
Other, net	1,882	2,103
Total Property, Plant and Equipment	13,739	14,003
Intangible Fixed Assets	450	534
Investments and Other Assets :	2,047	2,066
Total Fixed Assets	16,237	16,634
Total Assets	32,514	30,839

	(In Millions of Yen)	
	As of March 31	As of June 30
	FY2019	FY2020
<b>Liabilities :</b>		
Current Liabilities :		
Notes and accounts payable-trade	3,716	2,831
Short-term loans payable	9,525	9,122
Current portion of long-term loans payable	928	903
Accounts payable	3,471	2,796
Accrued income taxes	687	192
Provision for bonuses	256	386
Allowance for resource-recycling expenses	5	7
Other	2,986	2,642
Total Current Liabilities	21,576	18,882
Non-Current Liabilities :		
Bond Payable	500	500
Long-term loans payable	262	389
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	637	652
Liability Related to Retirement Benefits	1,727	1,756
Other	1,744	1,938
Total Non-Current Liabilities	4,881	5,246
<b>Total Liabilities</b>	<b>26,458</b>	<b>24,129</b>
<b>Net Assets :</b>		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(6,506)	(5,842)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	6,055	6,719
Valuation and translation adjustments :		
Valuation difference on available-for-sale securities	31	37
Foreign currency translation adjustment	(90)	(98)
Adjustment for Retirement Benefits (Cumulative)	34	25
Total Other comprehensive income	(25)	(35)
Non-controlling Interests	26	26
Total Net Assets	6,056	6,710
<b>Total Liabilities and Assets</b>	<b>32,514</b>	<b>30,839</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(Quarterly Consolidated Statements of Income)**  
**(For the first quarter of the fiscal year ending March 31, 2021)**

(In Millions of Yen)

	First Quarter	
	From April 1 to June 30	
	FY2019	FY2020
<b>Net sales</b>	11,603	<b>11,893</b>
Cost of sales	7,339	<b>7,388</b>
Gross profit	4,263	<b>4,505</b>
Selling, general and administrative expenses	3,640	<b>3,720</b>
Operating income (loss)	623	<b>784</b>
Non-operating income :		
Interest income	3	<b>4</b>
Dividends income	1	<b>1</b>
Land and house rent revenue	15	<b>15</b>
Foreign exchange gains	1	<b>1</b>
Other	12	<b>11</b>
Total non-operating expenses	33	<b>34</b>
Non-operating expenses :		
Interest expenses	50	<b>45</b>
Commission expenses	2	<b>0</b>
Other	2	<b>18</b>
Total non-operating expenses	56	<b>64</b>
Ordinary income (loss)	600	<b>755</b>
Income (loss) before income taxes and minority interests	600	<b>755</b>
Income taxes-current	136	<b>82</b>
Income taxes-deferred	29	<b>8</b>
Total income taxes	165	<b>91</b>
Net Income	434	<b>663</b>
Net Income (loss) attributable to the non-controlling shareholders	(1)	<b>0</b>
Net income (loss) attributable to the shareholders of the parent company	436	<b>663</b>

**(Quarterly Consolidated Statements of Comprehensive Income)**  
**(For the first quarter of the fiscal year ending March 31, 2021)**

	(In Millions of Yen)	
	First Quarter	
	From April 1 to June 30	
	FY2019	FY2020
Income before minority interests	434	<b>663</b>
Other comprehensive income :		
Share of other comprehensive income of associates accounted for using equity method	(10)	<b>5</b>
Foreign currency translation adjustment	(46)	<b>(7)</b>
Retirement benefit adjustment	21	<b>(8)</b>
Total other comprehensive income	(34)	<b>(10)</b>
Comprehensive net income	399	<b>653</b>
Comprehensive net income attributable to		
Comprehensive net income (loss) attributable to non-controlling shareholders	401	<b>653</b>
Comprehensive net income (loss) attributable to the shareholders of the parent company	(1)	<b>0</b>

**(3) Notes regarding the Quarterly Consolidated Financial Statements****(Notes regarding the Assumption of Going Concern)**

: None

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

: None

**(Segment Information, etc.)****I The previous first quarter (From April 1, 2019 to June 30, 2019)****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								
Internal sales among segments	2,355	2,948	487	3,469	2,342	11,603	-	11,603
And transfer accounts	-	-	-	624	-	624	(624)	-
<b>Total</b>	<b>2,355</b>	<b>2,948</b>	<b>487</b>	<b>4,093</b>	<b>2,342</b>	<b>12,227</b>	<b>(624)</b>	<b>11,603</b>
<b>Operating income</b>	<b>20</b>	<b>655</b>	<b>40</b>	<b>867</b>	<b>(41)</b>	<b>1,542</b>	<b>(919)</b>	<b>623</b>

(note 1)

Negative ¥919 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 is adjusted to operating loss of quarterly consolidated statements of income.

**II The first quarter (From April 1, 2020 to June 30, 2020)****1. 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								
Internal sales among segments	3,024	2,854	520	3,529	1,963	11,893	-	11,893
And transfer accounts	-	-	-	602	-	602	(602)	-
<b>Total</b>	<b>3,024</b>	<b>2,854</b>	<b>520</b>	<b>4,131</b>	<b>1,963</b>	<b>12,495</b>	<b>(602)</b>	<b>11,893</b>
<b>Operating income (loss)</b>	<b>263</b>	<b>545</b>	<b>29</b>	<b>942</b>	<b>(80)</b>	<b>1,700</b>	<b>(915)</b>	<b>784</b>

(note 1)

Negative ¥915 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 June 30		Changes
	FY2019	FY2020	
Commercial PV system	2,262	<b>2,956</b>	693
Wholesale of PV components	61	<b>41</b>	(20)
Others	31	<b>26</b>	(4)
<b>Solar Engineering Total</b>	<b>2,355</b>	<b>3,024</b>	<b>669</b>
Termite Eradication Service	1,024	<b>953</b>	(71)
Under-Roof/Roof Ventilation System	557	<b>725</b>	168
Foundation Repairing/Home Reinforcement System	517	<b>442</b>	(74)
Others	848	<b>733</b>	(115)
<b>Home Sanitation Division Total</b>	<b>2,948</b>	<b>2,854</b>	<b>(93)</b>
Anti-rust equipment installation	250	<b>243</b>	(6)
Repair of building water-woks	108	<b>133</b>	25
Water proofing of building	32	<b>49</b>	16
Others	96	<b>94</b>	(2)
<b>Establishment Sanitation Division Total</b>	<b>487</b>	<b>520</b>	<b>33</b>
Plastic fuel	2,367	<b>2,575</b>	207
Power Stations	868	<b>784</b>	(84)
Industrial waste (Organic Waste Water Recycle)	475	<b>447</b>	(27)
Final disposal	248	<b>186</b>	(61)
Others	134	<b>138</b>	4
<b>Environmental Resources Development Division Total :</b>	<b>4,093</b>	<b>4,131</b>	<b>38</b>
Electricity sales	2,338	<b>1,850</b>	(488)
Others	3	<b>113</b>	110
<b>Energy Business Division Total:</b>	<b>2,342</b>	<b>1,963</b>	<b>(378)</b>
Adjustment of inter-segment sales	(624)	<b>(602)</b>	21
<b>Total Net Sales</b>	<b>11,603</b>	<b>11,893</b>	<b>290</b>