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November 12, 2021

## Consolidated Financial Results for the Six Months Ended September 30, 2021 (Under Japanese GAAP)

Company name: SANIX INCORPORATED  
 Listing: Tokyo Stock Exchange / Fukuoka Stock Exchange  
 Securities code: 4651  
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 Scheduled date to file quarterly securities report: November 15, 2021  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for Institutional investor)

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	23,145	(3.4)	589	(64.6)	490	(68.6)	132	(90.6)
September 30, 2020	23,947	(2.4)	1,664	7.3	1,562	9.3	1,410	23.7

Note: Comprehensive income For the Six months ended September 30, 2021: ¥146 million [(89.7)%]  
 For the Six months ended September 30, 2020: ¥1,425 million [31.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2021	Yen 2.76	Yen -
September 30, 2020	29.51	-

Note: From the beginning of the first quarter of fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the second quarter of the fiscal year ending March 31, 2022 are the figures after the application of the relevant accounting standards.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2021	34,235	8,238	24.0	171.82
March 31, 2021	32,940	8,097	24.5	168.84

Reference: Equity

As of September 30, 2021: ¥8,213 million

As of March 31, 2021: ¥8,071 million

Note: From the beginning of the first quarter of fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the second quarter of the fiscal year ending March 31, 2022 are the figures after the application of the relevant accounting standards.

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	0.00	0.00	0.00	0.00	0.00
Fiscal year ending March 31, 2022	0.00				
Fiscal year ending March 31, 2022 (Forecast)		0.00	0.00	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated financial forecasts for the fiscal year ended March 31, 2022(from April 1, 2021 to March 31, 2022)

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	50,318	1.8	1,827	(21.4)	1,621	(22.5)	819	(58.3)	17.15

### Note

1.Revision from the most recently announced forecast of consolidated business results: Yes

2.From the beginning of the first quarter of fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc.

The figures for the first quarter of the fiscal year ending March 31, 2022 are the figures after the application of the relevant accounting standards.

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None  
Newly included: - companies (Company name)  
Excluded: - companies (Company name)
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - (ii) Changes in accounting policies due to other reasons: None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatement: None

Note :For details, please see 2. Quarterly Consolidated Financial Statements and Main Notes to the Statements (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies) on page 9 of the attachment.

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30,2021	48,919,396 shares
As of March 31,2021	48,919,396 shares

- (ii) Number of treasury shares at the end of the period

As of September 30,2021	1,114,838 shares
As of March 31,2021	1,114,693 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	47,804,647 shares
Six months ended September 30, 2020	47,804,939 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

**\* Proper use of earnings forecasts, and other special matters**

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 Six months ended September 30, 2021, (3) Information on the Future Outlook, Including the Forecasts of Consolidated Business Results on page 5 of the Attachment

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## 1. Qualitative Information for the Six months ended September 30, 2021

### (1) Information of Consolidated Business Results

In the first half under review (April 1, 2021 to September 30, 2021), the outlook for the Japanese economy remained uncertain with the continuation of a state of emergency in some regions due to the spread of COVID-19, even though signs of recovery were observed in certain businesses as a result of measures taken for the incremental resumption of economic activities, including the promotion of vaccinations. In this situation, SANIX INCORPORATED and its consolidated subsidiaries (hereinafter the "Group") continued their respective operations, prioritizing prevention of the infection's spread.

In May 2021, the Group formulated the SANIX Long-Term Vision 2030 to clarify its direction toward 2030 and its goals to achieve a carbon-neutral society and a recycling-based economy. Under the corporate philosophy, "A comfortable environment for the next generation," we will continue our efforts to create a sustainable society.

Net sales for the Home Sanitation (HS) Division and the Establishment Sanitation (ES) Division increased firmly year on year. However, net sales for the Solar Engineering (SE) Division declined year on year, reflecting a smaller number of photovoltaic system installations under the effects of the Feed-in Tariff (FIT) System revision in the solar electric power systems business. Net sales for the Environmental Resources Development (ERD) Division also decreased given the effects of accounting standard changes, in addition to the suspension of SANIX ENERGY's Tomakomai power plant's operation in April for biennial legal inspections. As a result, the Group's consolidated net sales for the first half under review came to ¥23,145 million (down 3.4% year on year).

Consolidated operating income decreased 64.6% year on year, to ¥589 million, attributable to the effects of the decline in net sales for the SE Division and repair expenses posted in connection with the legal inspections of Tomakomai power plant in the ERD Division. Consolidated ordinary income fell 68.6% year on year, to ¥490 million. Profit attributable to owners of parent plunged 90.6% year on year, to ¥132 million.

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the first quarter of the current fiscal year. Year-on-year increases (decreases) and percentage changes from the results for the first half of the previous fiscal year based on the previous accounting method are stated to explain consolidated business results. For details, please see 2. Quarterly Consolidated Financial Statements and Main Notes to the Statements (4) Notes on Consolidated Financial Statements (Changes in Accounting Policies).

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

#### a. SE (Solar Engineering) Division

In the SE Division, net sales for photovoltaic systems decreased 28.5% year on year,

reflecting a fall in installations qualified for the FIT system under the effects of a smaller number of investment projects attributable to the FIT system revision. As a result, net sales in this segment decreased to ¥3,828 million (down 29.1% year on year).

The segment posted an operating loss of ¥294 million (operating income of ¥233 million posted in the same period of the previous fiscal year) due to the significant impact of the decrease in net sales.

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

The HS Division refrained from new sales visits in areas where a state of emergency had been declared and prioritized measures to prevent the spread of COVID-19. However, in other areas, sales activities were conducted as usual while taking thorough preventive measures. Termite extermination services increased 3.2% year on year, and the construction of underfloor/attic ventilation systems increased 9.7% year on year, and basic repair work and housing reinforcement construction increased 23.7% year on year. As a result, net sales for the segment totaled ¥6,487 million (up 10.2% year on year).

Operating income for the segment amounted to ¥1,394 million (up 19.3% year on year) due to an increase of net sales and improvements in the efficiency of installation offsetting increased personnel and other expenses caused by the expansion of the workforce.

#### **c. ES (Establishment Sanitation) Division**

The ES Division improved relationships with building and condominium owners and partner companies, including management companies, by expanding business through an active increase of personnel and the opening of a new sales office. Net sales for building water proofing work decreased 0.8% year on year. However, net sales for the installation of the Company's main anti-rust equipment (product name: Daelman Shock) increased 14.1% year on year. Net sales for water supply and drainage repairs also rose 13.8% year on year. As a result, net sales for the segment totaled ¥1,264 million (up 11.7% year on year).

Operating income for the segment amounted to ¥121 million (up 1.8% year on year) with the effects of the net sales increase offsetting a rise in fixed costs mainly caused by the expansion of the workforce.

#### **d. ERD(Environmental Resources Development) Division**

In the ERD Division, net sales for organic waste water treatment and final disposal increased 9.6% and 10.8% year on year, respectively, reflecting growth in the volume of waste accepted. Meanwhile, net sales for plastic fuels decreased 0.8% year on year in spite of an increase in the volume of such fuels accepted, the result of a drop in unit disposal cost. Net sales also declined 10.2% year on year for power plants, owing to the suspension of the operation of SANIX ENERGY's Tomakomai power plant in April for biennial legal inspections. As a result, net sales in this segment decreased to ¥8,194 million (down 1.2% year on year).

Operating income for the segment amounted to ¥1,207 million (down 38.9% year on year) reflecting lower sales due to the legally required inspection of the Tomakomai power plant and the recording of repair expenses.

**e. EB(Energy Business) Division**

In the Energy Business Division, retail sales of electricity increased due to an increase in the number of contracts for the new electric power business. Meanwhile, in the current year we shifted the Tomakomai power plant to direct wholesale sales to external customers, not through the PPS(Power Producer and Supplier) business. In addition, we changed to a method recognizing revenue on a net basis for some transactions associated with the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. As a result, the PPS business was down 24.8% year on year. Additionally, the third party-owned photovoltaic power generation model for detached houses that the Company is promoting in collaboration with other companies increased 7.7% year on year. As a result, net sales in this segment decreased to ¥3,386 million (down 23.1% year on year).

The operating loss for the segment came to ¥124 million (compared with an operating loss of ¥33 million posted for the same period of the previous fiscal year), reflecting cost increases due to a rise in the unit cost of power procurement from electric power markets and others in the PPS business and growth in expenses associated with a personnel increase aimed at expanding a business based on a third party-owned photovoltaic power generation model.

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

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

Total assets at the end of the first half under review amounted to ¥34,235 million, an increase of ¥1,295 million from the end of the previous fiscal year. This result chiefly reflected an increase in investments and other assets of ¥977 million due to a rise in long-term prepaid expenses caused by the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc., in addition to growth in machinery, equipment and vehicles of ¥522 million, despite a decrease in cash and deposits of ¥408 million.

Total liabilities stood at ¥25,996 million, an increase of ¥1,153 million from the end of the previous fiscal year. This result was largely attributable to an increase in other current liabilities of ¥1,193 million, reflecting growths in accounts payable of ¥457 million, bonds payable of ¥300 million, income taxes payable of ¥290 million, and contract liabilities and the like through the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc., despite a decrease in notes and accounts payable-trade of ¥1,291 million.

Net assets totaled ¥8,238 million, a rise of ¥141 million from the end of the previous consolidated fiscal year. The key contributions to the increase included the posting of net income attributable to the owners of the parent company of ¥132 million.

Consequently, the capital-to-asset ratio came to 24.0% at the end of the first half under review, compared with 24.5% at the end of the previous fiscal year.

### **b. Information on Consolidated Cash Flows**

Cash and cash equivalents at the end of the first half under review totaled ¥4,496 million, a decrease of ¥264 million from the end of the previous fiscal year, attributable to net cash used in investing activities of ¥1,161 million, despite net cash provided by operating activities of ¥238 million and net cash provided by financing activities of ¥650 million.

The conditions of respective cash flows in the first half under review and their main causes are as described below.

#### **(Net Cash Provided by Operating Activities)**

Net cash provided by operating activities was ¥238 million (compared with net cash of ¥619 million such activities provided in the same period of the previous fiscal year). The result was mainly due to income before income taxes of ¥490 million, depreciation and amortization of ¥630 million posted as a non-cash expenditure item, and an increase in accounts payable of ¥399 million, which offset a drop in trade payable of ¥1,375 million.



**(Net Cash Provided by Investment Activities)**

Net cash used in investing activities was ¥1,161 million (compared with net cash of ¥1,318 million used in such activities in the same period of the previous fiscal year). The result primarily reflected the payment of ¥1,243 million for the purchase of property, plant and equipment.

**(Net Cash Provided by Financing Activities)**

Net cash provided by financing activities was ¥650 million (compared with net cash of ¥424 million used in such activities in the same period of the previous fiscal year). Major causes for the result included income of ¥1,000 million from bond issuance, which offset an expenditure of ¥500 million for bond redemption.

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

Regarding consolidated financial forecasts, the Company expects photovoltaic business costs to rise in the second half due to continued unstable materials procurement conditions, such as a global semiconductors shortage and steep rises in the prices of raw materials related to photovoltaic generation, in addition to the effects produced by the downturn of net sales for the SE Division in the first half, despite a growing social opportunity for decarbonization through renewable energy introduction. In the PPS business, power market (Japan Electric Power Exchange) prices also began rising in early October. Further price jumps are predicted to push up power procurement cost in the period through winter. Based on those predictions, the Company revised consolidated financial forecasts for the fiscal year ending March 31, 2022.

Refer to the following table for the details of the revised forecasts.

The forecast of Consolidated Business Results for the full fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(In Millions of Yen)					
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share/¥
Previous Forecast (A)	49,730	2,396	2,166	1,540	¥32.22
Revised Forecast (B)	50,318	1,827	1,621	819	¥17.15
Changes (B-A)	588	(569)	(545)	(720)	—
Rate of Change (%)	1.2	(23.8)	(25.2)	(46.8)	—
Reference: Results for FY2020 (ended March 31, 2021)	49,416	2,325	2,091	1,965	¥41.11

## 2. Quarterly Consolidated Financial Statements and the Primary Notes for the Six months ended September 30, 2021

### (1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of	As of
	March 31,2021	Sep. 30,2021
<b>Assets :</b>		
Current Assets :		
Cash and deposits	5,256	4,848
Notes and accounts receivable-trade	5,228	5,269
Merchandise and finished goods	36	40
Work in process-construction	63	61
Raw materials and supplies	2,910	2,836
Other	1,330	1,399
Allowance for doubtful accounts	(194)	(195)
Total Current Assets	14,633	14,260
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,624	1,632
Machinery, Equipment and Vehicles(net of depreciation)	3,002	3,525
Land	8,094	8,331
Other (net of depreciation)	2,600	2,533
Total Property, Plant and Equipment	15,322	16,023
Intangible Fixed Assets :	773	763
Investments and Other Assets :	2,210	3,188
Total Fixed Assets	18,306	19,974
Total Assets	32,940	34,235

	(In Millions of Yen)	
	As of	As of
	March 31,2021	Sep. 30,2021
<b>Liabilities :</b>		
Current Liabilities :		
Notes and accounts payable-trade	4,037	2,746
Short-term loans payable	6,630	6,218
Current portion of long-term loans payable	230	337
Current portion of bonds payable	-	200
Accounts payable	2,696	3,153
Accrued income taxes	152	443
Provision for bonuses	256	274
Allowance for resource-recycling expenses	9	8
Other	2,849	4,042
Total Current Liabilities	<u>16,861</u>	<u>17,424</u>
Non-Current Liabilities :		
Bonds payable	500	800
Long-term loans payable	2,417	2,490
Provision for directors' retirement benefits	9	4
Provision for disposal site closing expenses	675	695
Liability related to retirement benefits	1,859	1,902
Other	2,519	2,678
Total Non-Current Liabilities	<u>7,981</u>	<u>8,572</u>
Total Liabilities	<u>24,842</u>	<u>25,996</u>
<b>Net Assets :</b>		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(4,541)	(4,413)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	<u>8,020</u>	<u>8,148</u>
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	55	47
Foreign currency translation adjustment	1	20
Adjustment for retirement benefits (cumulative)	(5)	(2)
Total Accumulated other comprehensive income	<u>50</u>	<u>65</u>
Non-controlling Interests	<u>25</u>	<u>24</u>
Total Net Assets	<u>8,097</u>	<u>8,238</u>
<b>Total Liabilities and Assets</b>	<u>32,940</u>	<u>34,235</u>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(Quarterly Consolidated Statements of Income)**

	(In Millions of Yen)	
	Six months	
	From April 1 to September 30	
	FY2020	FY2021
<b>Net sales</b>	23,947	<b>23,145</b>
Cost of sales	14,815	<b>15,005</b>
Gross profit	9,132	<b>8,139</b>
Selling, general and administrative expenses	7,467	<b>7,550</b>
Operating income	1,664	<b>589</b>
Non-operating income :		
Interest income	9	7
Dividends income	1	1
Land and house rent revenue	31	31
Other	28	24
Total non-operating income	71	<b>65</b>
Non-operating expenses :		
Interest expenses	103	117
Other	69	46
Total non-operating expenses	172	<b>164</b>
Ordinary income (loss)	1,562	<b>490</b>
Income (loss) before income taxes and minority interests	1,562	<b>490</b>
Income taxes-current	93	278
Income taxes-deferred	58	81
Total income taxes	151	<b>359</b>
Net Income (loss)	1,410	<b>131</b>
Net Income (loss) belonging to the non-controlling shareholders	0	<b>(0)</b>
Net income belonging to the shareholders of the parent company	1,410	<b>132</b>

**(Quarterly Consolidated Statements of Comprehensive Income)**

	(In Millions of Yen)	
	Six months	
	From April 1 to September 30	
	FY2020	FY2020
Net Income	1,410	<b>131</b>
Other comprehensive income :		
Valuation difference on available-for-sale securities	19	<b>(7)</b>
Foreign currency translation adjustment	12	<b>19</b>
Retirement benefit adjustment	(17)	<b>2</b>
Total other comprehensive income	14	<b>14</b>
Comprehensive net income	1,425	<b>146</b>
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	1,425	<b>147</b>
Comprehensive income belonging to non-controlling shareholders	0	<b>(0)</b>

**(3) Quarterly Consolidated Statements of Cash Flows**

(In Millions of Yen)

	Six months	
	From April 1 to September 30	
	FY2020	FY2021
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before income taxes and minority interests	1,562	490
Depreciation and amortization	511	630
Retirement benefits for directors (and other officers)	-	(5)
Increase(Decrease) in Provision for bonuses	(0)	17
Increase (Decrease) in allowance for disposal site closing expenses	21	20
Increase (Decrease) in allowance for resource-recycling expenses	3	(0)
Increase (decrease) in provision for retirement benefits	48	46
Increase (decrease) in allowance for doubtful accounts	(4)	(0)
Interest income and dividends income	(10)	(9)
Interest expenses	103	117
Increase (decrease) in notes and accounts receivable-trade	872	(6)
Increase (decrease) in inventories	508	76
Increase (decrease) in other current assets	(71)	(62)
Increase (decrease) in notes and accounts payable-trade	(1,268)	(1,375)
Accounts payable	(1,004)	399
Increase (decrease) in accrued consumption taxes	(48)	(233)
Increase (decrease) in other current liabilities	(161)	169
Other	74	62
Subtotal	1,135	336
Interest and dividends income received	10	8
Interest expenses paid	(109)	(116)
Income taxes paid	(431)	(79)
Income taxes refund	15	89
Net cash provided by (used in) operating activities	619	238
<b>Net Cash Provided by (Used in) Investing Activities</b>		
Payments into time deposits	(307)	(319)
Proceeds from withdrawal of time deposits	640	472
Purchase of property, plant and equipment	(1,436)	(1,243)
Proceeds from sales of property, plant and equipment	7	7
Purchase of intangible assets	(173)	(86)
Other	(48)	8
Net cash provided by (used in) investing activities	(1,318)	(1,161)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(873)	(412)
Proceeds from long-term loans payable	180	297
Repayment of long-term loans payable	(158)	(116)
Proceeds from issuance of bonds	-	1,000
Redemption of bonds	-	(500)
Proceeds from sale and leaseback transactions	272	82
Repayments of finance lease obligations	(160)	(242)
Proceeds from sale and installment back	425	748
Repayments of installment payables	(109)	(187)
Other	(1)	(21)
Net cash provided by (used in) financing activities	(424)	650

Effect of exchange rate change on cash and cash equivalents	6	<b>8</b>
Net increase (decrease) in cash and cash equivalents	(1,116)	<b>(264)</b>
Cash and cash equivalents, beginning of the period	5,259	<b>4,760</b>
Cash and cash equivalents, end of the quarter	4,142	<b>4,496</b>

**(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



(Changes in accounting policies)

(Adoption of the Accounting Standard for Revenue Recognition)

From the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Accounting Standard"), etc. The Company has decided to recognize revenue at the amount it expects to receive in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Major changes due to the adoption of the Revenue Recognition Accounting Standard are as follows:

#### 1. Revenue Recognition from the Satisfaction of Performance Obligations

For some warrantied parts of solar photovoltaic generation systems sales, revenue was previously recognized, including revenue from system sales, at the completion of installation. However, we have changed to a method recognizing revenue over the warranty period.

In addition, regarding retail sales of electricity, revenue was previously recognized based on the meter reading date (a method of recognizing revenue based on the amount of usage confirmed by meter readings conducted on days other than the end of each month). However, we have changed to a method estimating and recording the revenue generated from the date of meter reading conducted in the closing month to the closing date, in accordance with Paragraph 103-2 of the "Application Guidance on Revenue Recognition Accounting Standard" (ASBJ Guidance No. 30, March 26, 2021).

#### 2. Recognition of Revenue from Proxy Transactions

For transactions in which the Group's role in the sale to the customer is that of an agent, the Group previously recognized the total amount of the consideration received from the customer as revenue. However, the Group has changed to a method of recognizing revenue on a net basis deducting the amount paid to third parties from the total amount of the consideration.

We apply the Revenue Recognition Accounting Standard, etc. in accordance with the transitional treatment prescribed in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of fiscal year ending March 31, 2022 was added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied from the beginning balance of the current fiscal year. However, we have applied the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard and have not retrospectively applied the new accounting policy to contracts in which almost all of the revenue amount was recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current

fiscal year.

As a result, net sales for the first half under review declined ¥682 million, cost of sales decreased ¥699 million, selling, general and administrative expenses declined ¥5 million. Operating income, ordinary income and income before income taxes and minority interests each increased ¥22 million. Retained earnings at the beginning of the current fiscal year decreased ¥4 million.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on revenues from contracts with customers for the first quarter of the previous fiscal year have not been broken down.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the first quarter of the current fiscal year. Accordingly, the Company decided to apply into the future new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc., in accordance with transitional treatment prescribed in Paragraph 19 of the said Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the new accounting policies has no effect on quarterly consolidated financial statements.

**(Segment Information, etc.)****I Six months ended September 2020 (From April 1, 2020 to September 30, 2020)****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	EB	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.

## II Six months ended September 2021 (From April 1, 2021 to September 30, 2021)

### Information concerning the Amount of Net Sales and Operating Income (loss) by

#### Segment

	Segments						Elimination or Group (note1)	Consolidated (note 2)
	SE	HS	ES	ERD	EB	Total		
Sales								
Sales and installation of PV system	3,753	-	-	-	-	3,753	-	3,753
Wholesale of PV system	34	-	-	-	-	34	-	34
Termite control construction	-	1,992	-	-	-	1,992	-	1,992
Under-floor/attic ventilation system	-	1,668	-	-	-	1,668	-	1,668
Foundation Repair/ Home Reinforcement System	-	1,045	-	-	-	1,045	-	1,045
Anti-rust equipment installation	-	-	648	-	-	648	-	648
Water supply and drainage repair	-	-	326	-	-	326	-	326
Waterproofing and renovation of buildings	-	-	82	-	-	82	-	82
Plastic fuel	-	-	-	5,106	-	5,106	-	5,106
Power Plant	-	-	-	1,409	-	1,409	-	1,409
Organic Waste liquid treatment	-	-	-	1,010	-	1,010	-	1,010
Landfill	-	-	-	425	-	425	-	425
Sales of Electricity	-	-	-	-	3,114	3,114	-	3,114
Others	40	1,781	207	241	255	2,525	-	2,525
Revenue from contracts with customers	3,828	6,487	1,264	8,194	3,369	23,145	-	23,145
Sales to customers	3,828	6,487	1,264	8,194	3,369	23,145	-	23,145
Internal sales among segments and transfer accounts	-	-	-	-	17	17	(17)	-
Total	3,828	6,487	1,264	8,194	3,386	23,162	(17)	23,145
Operating income (loss)	(294)	1,394	121	1,207	(124)	2,304	(1,714)	589

(note 1)

Negative ¥1,714 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.

## **2.Information on changes in reportable segments**

As described in (Changes in Accounting Policies), starting from the beginning of the first quarter of fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The Company has changed its accounting method for revenue recognition.

Net sales in the SE Division increased by ¥79 million, net sales in HS Division, ERD Division, and EB Division decreased by ¥5 million, ¥ 122 million, and ¥633 million respectively for the first quarter under review due to the change, compared with those under the previous accounting method. The impact on segment income or loss is immaterial.

### 3. Other

#### Consolidated Net Sales by Division

(In Million of Yen)

Item	Unit	From April 1 to September 30				Comparison	
		FY2020		FY2021			
		QTY	Amount	QTY	Amount	QTY	Amount
Sales and installation of PV system	kW	30,241	5,248	13,791	3,753	-16,449	-1,495
Wholesale of PV system	—	—	98	—	34	—	-63
Others	—	—	51	—	40	—	-10
<b>Solar Engineering Division Total</b>	—	—	5,399	—	3,828	—	-1,570
Termite control construction	*1,000 tsubo	310	1,931	318	1,992	7	61
Under-floor/attic ventilation system	—	—	1,520	—	1,668	—	147
Foundation Repair/ Home Reinforcement System	House	2,071	845	2,516	1,045	445	199
Others	—	—	1,588	—	1,781	—	192
<b>Home Sanitation Division Total</b>	—	—	5,886	—	6,487	—	601
Anti-rust equipment installation	Piece	519	568	624	648	105	79
Water supply and drainage repair	—	—	286	—	326	—	39
Waterproofing and renovation of buildings	—	—	83	—	82	—	-0
Others	—	—	194	—	207	—	13
<b>Establishment Sanitation Division Total</b>	—	—	1,132	—	1,264	—	132
Plastic fuel	t	131,048	5,146	138,244	5,106	7,195	-39
Power Plant	—	—	1,570	—	1,409	—	-160
Organic Waste liquid treatment	t	47,620	921	49,622	1,010	2,001	88
Landfill	—	—	384	—	425	—	41
Others	—	—	272	—	241	—	-31
<b>Environmental Resources Development Division Total</b>	—	—	8,296	—	8,194	—	-101
Sales of Electricity	—	—	4,165	—	3,131	—	-1,034
Others	—	—	236	—	255	—	18
<b>Energy Business Division</b>	—	—	4,402	—	3,386	—	-1,015
Adjustment of intersegment sales	—	—	(1,169)	—	(17)	—	1,152
<b>Total Net Sales</b>	—	—	23,947	—	23,145	—	-802

#### Note

1. Descriptions are omitted for items that are handled in such a wide range that it is difficult to grasp their quantity.

2. 1,000 tsubo is approximately 3,305.785 m<sup>2</sup>.

3. From the beginning of the first quarter of fiscal year ending March 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. The figures for the first quarter of the fiscal year ending March 31, 2022 are the figures after the application of the relevant accounting standards.