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August 9, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (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: August 10, 2023
 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	11,081	(2.3)	154	(54.8)	73	(72.9)	63	(63.6)
June 30, 2022	11,346	2.8	341	-	270	-	174	-

Note: Comprehensive income For the three months ended June 30, 2023: ¥98 million [(54.7)%]
 For the three months ended June 30, 2022: ¥217million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	1.33	-
June 30, 2022	3.66	-

(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
June 30, 2023	33,642	6,166	18.3	128.58
March 31, 2023	33,586	6,068	18.0	126.51

Reference: Equity

As of June 30, 2023: ¥6,146 million
 As of March 31, 2023: ¥6,047 million

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, 2023	0.00	0.00	0.00	0.00	0.00
Fiscal year ending March 31, 2024	0.00				
Fiscal year ending March 31, 2024 (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, 2024(from April 1, 2023 to March 31, 2024)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First Half	23,873	5.4	1,452	94.6	1,336	118.5	1,035	133.8	21.65
Full Year	47,965	3.6	3,231	81.0	3,014	94.2	2,495	87.3	52.20

Note

1.Revision from the most recently announced forecast of consolidated business results: None

*** 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: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30,2023	48,919,396 shares
As of March 31,2023	48,919,396 shares

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

As of June 30,2023	1,114,983 shares
As of March 31,2023	1,114,983 shares

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

Three months ended June 30, 2023	47,804,413 shares
Three months ended June 30, 2022	47,804,498 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 three months ended June 30, 2023, (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 Three months ended June 30, 2023

(1) Information of Consolidated Business Results

During the first quarter under review (April 1 to June 30, 2023), the Japanese economy continued to recover moderately, partly reflecting a recovery in inbound tourism-related demand following the recategorization of COVID-19 as a class 5 infectious disease. However, the outlook still remained uncertain, largely reflecting surging resource and energy prices and rising raw materials prices linked to a weaker yen.

In this social environment, guided by its corporate philosophy, "Clean and comfortable environment for the next generation," the Group facilitated the resolution of social issues through its businesses and continued to work to help establish a sustainable society in the residential environment, resource circulation and energy domains.

Additionally, the Group developed its Medium-Term Management Plan (FY2023 to FY2025). Based on this plan, it will begin to actively implement growth investments to enable future growth by establishing quotas for a strategic investment framework while simultaneously securing a stable financial base by enhancing its earning capacity through the steady growth of existing businesses. The Group aims to accelerate its future growth by strategically investing and continuing to expand its strategic investment framework.

(Details are provided at our official website. https://sanix.jp/lang_en/e02/pdf/ir2023_5e-c.pdf)

In terms of net sales, ERD Division sales increased (up 10.4% year on year) reflecting an increase in this year's electricity sales contract price in power plant sales. However, PPS(Power Producer and Supplier) Division sales decreased (down 54.8% year on year) due to the downsizing of the business to avoid risks linked to a rise in the cost of procuring electricity. As a result, the Group's consolidated net sales for the first quarter under review came to ¥11,081 million (down 2.3% year on year).

The Group's consolidated profit included operating profit of ¥154 million (down 54.8% year on year), ordinary profit of ¥73 million (down 72.9% year on year) and profit attributable to owners of parent of ¥63 million (down 63.6% year on year) due in part to the posting of repair expenses in conjunction with the statutory inspection of boiler turbines conducted at the Tomakomai power plant in April 2023.

The consolidated results of the individual segment for the first quarter under review were as follows:

<Residential Environment Area>

a. HS (Home Sanitation) Division

The HS Division continued to strengthen its sales policy with a focus on the development of new customers as in the previous year while also accelerating initiatives with an eye toward the enhancement of its customer foundation. As a result, net sales came to ¥3,027 million

(down 9.5% year on year), reflecting year-on-year decreases of 13.3% in the underfloor / attic ventilation system and 16.7% in the foundation repair/ home reinforcement system despite a year-on-year increase of 8.3% in termite control construction due to an increase in the number of contracts with new customers.

Operating profit decreased 31.7% year on year to ¥445 million due to a decrease in sales from the same period of the previous year.

b. ES (Establishment Sanitation) Division

The ES Division has been strengthening its relationships with owners of buildings and condominiums and affiliates such as property management companies. While net sales for the Company's main anti-rust equipment installation (product name: Daelman Shock) decreased 2.0% year on year, net sales for water supply and drainage repairs rose 37.9% year on year. Net sales for waterproofing and renovation of buildings also rose 30.2% year on year. As a result, net sales for the segment totaled ¥618 million (up 13.1% year on year). Operating loss stood at ¥10 million (operating loss of ¥13 million in the same period of the previous year) due to increases in a range of costs including the cost of materials.

c. SE (Solar Engineering) Division

The SE Division, a business established in the previous fiscal year, focused on the sale of photovoltaic power generation systems developed specifically for detached houses, among other products. Sales of storage batteries increased year on year, but the number of photovoltaic power generation systems whose construction was completed decreased. As a result, net sales in this segment decreased to ¥292 million (down 27.1% year on year). Operating loss totaled ¥33 million (operating loss of ¥44 million in the same period of the previous fiscal year), reflecting efforts to improve profitability despite the decline in sales.

<Energy Area>

d. PV(Photovoltaic) Division

The PV Division focused mainly on the sale and construction of self-consumption type photovoltaic power generation systems for corporate use, the provision of the PPA services to local governments and the sale of photovoltaic power generation systems with land, as well as replacement of devices and maintenance for existing photovoltaic power generation systems. As a result, net sales in this segment increased to ¥2,064 million (up 22.0% year on year).

Operating loss came to ¥41 million (operating loss of ¥67 million in the same period of the previous fiscal year). This is partly attributable to the impact of the increase in prices, including the prices of materials.

e. PPS(Power Producer and Supplier) Division

The PPS Division has been reducing its business since last year, considering that maintaining profit is difficult due to a rise in the cost of electricity procurement. As a result, net sales in this segment decreased to ¥583 million (down 54.8% year on year).

Operating profit stood at ¥32 million (operating loss of ¥28 million), reflecting improved profitability due to the restructuring of businesses.

<Resource Circulation Area>

f. ERD (Environmental Resources Development) Division

In the ERD Division, plastic fuel sales decreased 2.5% year on year, sales for waste liquid treatment decreased 5.8% year on year due to a decline in the waste acceptance volume, and landfill sales fell 9.5% year on year. On the other hand, power plant sales rose 62.9% year on year due to the higher unit contract price of the electricity sold by the Tomakomai power plant. As a result, net sales in this segment increased to ¥4,495 million (up 10.4% year on year).

Operating profit for the segment amounted to ¥497 million (down 30.1% year on year) due to the recording of repair expenses of legally required inspection of the Tomakomai power plant.

(2) Information of Consolidated Financial Position

(Assets)

Current assets at the end of the first quarter under review amounted to ¥12,850 million, a decrease of ¥833 million from the end of the previous fiscal year. This was caused chiefly by a rise in raw materials and supplies of ¥272 million and a decrease in cash and deposits of ¥1,111 million.

Fixed assets were ¥20,791 million at the end of the fiscal year under review, an increase of ¥888 million from the end of the previous fiscal year. Major factors include increases of ¥600 million in Other (net) in tangible fixed assets due to a rise in construction in progress and ¥381 million in machinery, equipment and vehicles (net depreciation).

As a result, total assets were ¥33,642 million at the end of June 2023, up ¥55 million from one year earlier.

(Liabilities)

Current liabilities at the end of the first quarter under review amounted to ¥16,509 million, an increase of ¥126 million from the end of the previous fiscal year. Primary factors for the increase of ¥884 million in accounts payable - other, which more than offset a decrease of ¥661 million in notes and accounts payable - trade.

Non-current liabilities totaled ¥10,966 million at the end of the period, a decrease of ¥169

million from the end of the previous fiscal year. The key factors were a decrease of ¥341 million in long-term borrowings, more than offsetting an increase of ¥135 million in Other in non-current liabilities attributable to an increase in long-term accounts payable.

As a result, total liabilities were ¥27,475 million, down ¥42 million from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the first quarter under review amounted to ¥6,166 million, an increase of ¥98 million from the end of the previous fiscal year. The key contributions to the increase included the posting of profit attributable to owners of parent of ¥63 million.

As a result, the capital adequacy ratio was 18.3% (compared with 18.0% a year earlier).

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

Consolidated results forecasts for the fiscal year ending March 31, 2024 remain unchanged from the consolidated results forecasts announced on May 15, 2023.

2. Quarterly Consolidated Financial Statements and the Primary Notes for the Three months ended June 30, 2023

(1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of	As of
	March 31, 2023	June 30, 2023
Assets :		
Current Assets :		
Cash and deposits	4,504	3,392
Notes and accounts receivable-trade	4,827	4,542
Merchandise and finished goods	163	152
Costs on construction contracts in progress	134	194
Raw materials and supplies	2,901	3,173
Other	1,382	1,525
Allowance for doubtful accounts	(229)	(131)
Total Current Assets	13,683	12,850
Non-current assets:		
Property, Plant and Equipment :		
Buildings and structures, net	2,355	2,280
Machinery, equipment and vehicles, net	4,286	4,668
Land	8,209	8,211
Other, net	1,250	1,851
Total Property, Plant and Equipment	16,100	17,010
Intangible assets	595	607
Investments and Other Assets :	3,206	3,173
Total non-current assets	19,902	20,791
Total Assets	33,586	33,642

(In Millions of Yen)

	As of	As of
	March 31, 2023	June 30, 2023
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	2,463	1,801
Electronically recorded obligations - operating	782	977
Short-term loans payable	3,462	3,719
Current portion of long-term loans payable	1,372	1,364
Current portion of bonds payable	200	200
Accounts payable	3,296	4,180
Income taxes payable	350	122
Provision for bonuses	263	404
Allowance for resource-recycling expenses	11	9
Other	4,178	3,727
Total Current Liabilities	16,382	16,509
Non-Current Liabilities :		
Bonds payable	500	500
Long-term borrowings	5,472	5,130
Provision for retirement benefits for directors	4	4
Provision for disposal site closing expenses	523	535
Retirement benefit liability	2,104	2,127
Other	2,531	2,666
Total Non-Current Liabilities	11,135	10,966
Total Liabilities	27,518	27,475
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Retained earnings	(6,666)	(6,602)
Treasury shares	(1,481)	(1,481)
Total Shareholders' Equity	5,893	5,957
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	72	80
Foreign currency translation adjustment	106	127
Remeasurements of defined benefit plans	(24)	(18)
Total Other comprehensive income	154	189
Non-controlling Interests	20	19
Total Net Assets	6,068	6,166
Total Liabilities and Assets	33,586	33,642

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

(In Millions of Yen)

	Three months	
	From April 1 to June 30	
	FY2022	FY2023
Net sales	11,346	11,081
Cost of sales	7,266	7,323
Gross profit	4,080	3,757
Selling, general and administrative expenses	3,738	3,603
Operating profit (loss)	341	154
Non-operating profit :		
Interest income	4	4
Dividends income	1	2
Rental income from land and buildings	15	15
Other	23	15
Total non-operating profit	45	38
Non-operating expenses :		
Interest expenses	77	64
Loss on retirement of non-current asset	13	42
Other	25	12
Total non-operating expenses	116	119
Ordinary profit (loss)	270	73
Profit (loss) before income taxes	270	73
Income taxes-current	57	42
Income taxes-deferred	39	(32)
Total income taxes	97	9
Profit (loss)	173	63
Profit (loss) attributable to non-controlling interests	(1)	(0)
Profit (loss) attributable to owners of parent	174	63

(Quarterly Consolidated Statements of Comprehensive Income)

(In Millions of Yen)

	Three months	
	From April 1 to June 30	
	FY2022	FY2023
Profit (loss)	173	63
Other comprehensive income :		
Valuation difference on available-for-sale securities	(0)	8
Foreign currency translation adjustment	44	20
Remeasurements of defined benefit plans, net of tax	0	6
Total other comprehensive income	43	35
Comprehensive net income	217	98
Comprehensive net income attributable to		
Comprehensive income attributable to owners of parent	218	98
Comprehensive income attributable to non-controlling interests	(1)	(0)

(3) Notes regarding the Quarterly Consolidated Financial Statements**(Notes on matters related to going concern assumption)**

: None

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

: None

(Segment Information, etc.)**I . Three months ended June 30,2022 (From April 1, 2022 to June 30, 2022)****1. Information concerning the Amount of Net Sales and Operating Income (loss) by Segment**

	Segments							Elimination or Group (note 1)	Consolidated (note 2)
	HS	ES	SE	PV	PPS	ERD	Total		
Sales:									
Sales to customers	3,344	547	401	1,691	1,289	4,071	11,346	—	11,346
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—	—	—
Total	3,344	547	401	1,691	1,289	4,071	11,346	—	11,346
Operating profit (loss)	651	(13)	(44)	(67)	(28)	710	1,208	(866)	341

(note 1)

Negative ¥866 million for adjustments of Operating profit (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 profit is adjusted to operating loss of quarterly consolidated statements of income.

II . Three months ended June 30,2023 (From April 1, 2023 to June 30, 2023)**1. Information concerning the Amount of Net Sales and Operating profit (loss) by Segment**

	Segments							Elimination or Group (note 1)	Consolidated (note 2)
	HS	ES	SE	PV	PPS	ERD	Total		
Sales:									
Sales to customers	3,027	618	292	2,064	583	4,495	11,081	—	11,081
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—	—	—
Total	3,027	618	292	2,064	583	4,495	11,081	—	11,081
Operating profit(loss)	445	(10)	(33)	(41)	32	497	890	(735)	154

(note 1)

Negative ¥735 million for adjustments of Operating profit (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 profit is adjusted to operating loss of quarterly consolidated statements of income.

3. Others

(1) Consolidated Net Sales by Division

(In Million of Yen)

Item	Unit	From April 1 to June 30				Comparison	
		FY2022		FY2023			
		QTY	Amount	QTY	Amount	QTY	Amount
Termite control construction	*1,000 tsubo	170	1,115	190	1,208	19	92
Under-floor/attic ventilation system	—	—	821	—	712	—	-108
Foundation Repair/ Home Reinforcement System	House	1,126	486	918	405	-208	-81
Others	—	—	920	—	701	—	-219
Home Sanitation Division Total	—	—	3,344	—	3,027	—	-317
Anti-rust equipment installation	Piece	182	223	180	218	-2	-4
Water supply and drainage repair	—	—	172	—	238	—	65
Waterproofing and renovation of buildings	—	—	52	—	67	—	15
Others	—	—	99	—	93	—	-5
Establishment Sanitation Division Total	—	—	547	—	618	—	71
Sales and installation of PV system	—	—	401	—	292	—	-109
Solar Engineering Division Total	—	—	401	—	292	—	-109
Sales and installation of PV system	—	—	1,628	—	2,034	—	405
Wholesale of PV system	—	—	39	—	7	—	-32
Others	—	—	23	—	22	—	-0
Photovoltaic Division Total	—	—	1,691	—	2,064	—	372
Sales of Electricity	—	—	1,289	—	583	—	-706
Power Producer and Supplier Division Total	—	—	1,289	—	583	—	-706
Plastic fuel	t	68,837	2,438	68,522	2,376	-315	-61
Power Plant	—	—	753	—	1,227	—	473
Waste liquid treatment	t	25,679	511	23,310	481	-2,369	-29
Landfill	—	—	251	—	227	—	-23
Others	—	—	117	—	183	—	65
Environmental Resources Development Division Total	—	—	4,071	—	4,495	—	423
Others	—	—	—	—	—	—	—
Adjustment of intersegment sales	—	—	—	—	—	—	—
Total Net Sales	—	—	11,346	—	11,081	—	-264

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 m².