Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

November 14, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: SANIX INCORPORATED
Listing: Tokyo Stock Exchange / Fukuoka Stock Exchange
Securities code: 4651
URL: https://sanix.jp/lang_en/
Representative: Hiroshi Munemasa, President and Representative Director
Inquiries: Hiroshi Soga, Executive officer, Deputy General manager of Corporate Division, General manager of Corporate Planning Division, Management & Planning Division
Telephone: +81-92-284-5072
Scheduled date to file quarterly securities report: November 14, 2022
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, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	22,649	(2.1)	746	26.6	611	24.6	442	235.0
September 30, 2021	23,145	(3.4)	589	(64.6)	490	(68.6)	132	(90.6)

Note: Comprehensive income For the Six months ended September 30, 2022: ¥487 million [232.9%]
For the Six months ended September 30, 2021: ¥146 million [(89.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	9.26	-
September 30, 2021	2.76	-

(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, 2022	34,208	5,214	15.2	108.63
March 31, 2022	34,953	4,732	13.5	98.52

Reference: Equity
As of September 30, 2022: ¥5,193 million
As of March 31, 2022: ¥4,709 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, 2022	0.00	0.00	0.00	0.00	0.00
Fiscal year ending March 31, 2023	0.00	0.00			
Fiscal year ending March 31, 2023 (Forecast)			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, 2023(from April 1, 2022 to March 31, 2023)

	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	46,568	(8.6)	1,528	-	1,271	-	1,065	-	22.30

Note

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

* **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 (4) Notes on Consolidated Financial Statements (Changes in Accounting Policies) on page 10 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 30,2022	48,919,396 shares
As of March 31,2022	48,919,396 shares

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

As of September 30,2022	1,114,983 shares
As of March 31,2022	1,114,838 shares

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

Six months ended September 30, 2022	47,804,462 shares
Six months ended September 30, 2021	47,804,647 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, 2022, (3) Information on the Future Outlook, Including the Forecasts of Consolidated Business Results on page 4 of the Attachment

Index of the attachment

1. Qualitative Information for the Six months ended September 30, 2022

(1) Information of Consolidated Business Results

During the first six months of the fiscal year under review (April 1 to September 30, 2022), the outlook for the Japanese economy, which had been stagnant due to the COVID-19 pandemic, remained uncertain due to steep rises in the prices of resources partly as a result of Russia's military invasion of Ukraine and the depreciation of yen despite signs of recovery beginning to appear in economic activities. In this situation, SANIX INCORPORATED and its consolidated subsidiaries (hereinafter the “Group”) continued their respective operations, while ensuring that COVID-19 preventive measures were taken and working to strengthen and expand the foundation for each business.

The Group implemented a reorganization on June 1, 2022 to ensure the growth of its businesses and facilitate growth through the pursuit of synergy between the businesses, while responding flexibly to the rapidly changing market environment with the goal of creating a comfortable environment for the next generation as stated in its corporate philosophy. Consequently, the classification of reportable segments changed in the first quarter. Details are provided in the section, (4) Notes regarding the Quarterly Consolidated Financial Statements (Segment Information, etc.), under 2.

Accordingly, in the year-on-year comparisons below, the figures for the same period of the previous year have been restated to reflect the new segment classification in the comparative analysis. However, the year-on-year comparison of the new Solar Engineering (SE) Division, operating the business of photovoltaic power generation systems for detached houses, and the Photovoltaic (PV) Division, operating the business of photovoltaic power generation systems for corporations, is omitted due to the practical difficulty of recalculating figures from the same period of the previous year.

Regarding net sales for the first six months of the fiscal year under review, the HS Division in particular experienced temporary restrictions on face-to-face sales activities associated with the beginning of the seventh wave of COVID-19 infections, which from July 2022 saw the largest number of infections ever recorded. The PPS Division has stopped accepting new applications for power supply and demand contracts and shifted part of its retail contracts for electric power to distributor agreements to eliminate the risk of price volatility in electricity procurement. As a result, the Group's consolidated net sales for the first half under review came to ¥22,649 million (down 2.1% year on year).

The Group's consolidated profit included operating profit of ¥746 million (up by 26.6% year on year), ordinary profit of ¥611 million (up by 24.6% year on year), and profit attributable to owners of parent of ¥442 million (up by 235.0% year on year) thanks in part to a rebound from the decrease in sales due to the statutory inspections conducted and the repair expenses incurred at Tomakomai power plant in the previous year.

a. HS (Home Sanitation) Division

Home Sanitation (HS) Division has been working to expand the business through the opening of a new sales office while continuing to take thorough measures to prevent COVID-19 infections. However, as a result of the impact of the seventh wave of the COVID-19 infections, net sales decreased 5.6% year on year to ¥6,126 million.

Operating profit for the segment came to ¥883 million (down 36.6% year on year) due to an increase in personnel and other fixed expenses associated with addition of employees principally for new sales offices in addition to the decrease in sales.

b. 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 rose 106.8% year on year and net sales for water supply and drainage repairs increased 11.7% year on year. However, net sales for the installation of the Company's main anti-rust equipment (brand name: Daelman Shock) decreased 29.5% year on year. As a result, net sales in this segment decreased to ¥1,190 million (down 5.9% year on year).

Operating profit for the segment came to ¥8 million (down 92.7% year on year) due to an increase in personnel and other fixed expenses associated with addition of employees principally for new sales offices in addition to the decrease in sales.

c. SE (Solar Engineering) Division
(division for sale of photovoltaic power for detached houses)

As a result of the reorganization in June 2022, the SE Division was launched as a new business division focusing on the sale of photovoltaic power generation systems developed specifically for detached houses. As a result, net sales for the segment totaled ¥791 million.

Operating result was a loss of ¥100 million largely due to expenses incurred for the launch of the new business division.

d. PV(Photovoltaic) Division
(division for sale of photovoltaic power for corporations)

Through the reorganization in June 2022, the PV Division was re-established as a unit selling photovoltaic power generation systems developed specifically for corporations. It focused on the construction and maintenance of photovoltaic power generation systems and other products and the wholesaling of photovoltaic power equipment. As a result, net sales for the segment totaled ¥3,408 million.

Operating result was a loss of ¥159 million due to an increase in costs caused by a rise in prices of materials and other goods despite a decrease in SG&A expenses thanks to the reallocation of personnel with the SE Division through reorganization.

e. PPS(Power Producer and Supplier) Division

The PPS Division has been reducing its business since the second half of the previous fiscal year, considering that maintaining profit is difficult due to a significant rise in the cost of procurement chiefly caused by a surge in prices in the wholesale electric power market. Therefore, the Company stopped accepting new applications for power supply and demand contracts and shifted a part of its retail contracts for electric power to distributor agreements. In addition, during the second quarter of the current fiscal year (July 1, 2022-September 30, 2022), the risk of price volatility in power procurement was eliminated as the Group changed its power procurement to mainly direct procurement. As a result, net sales in this segment decreased to ¥2,914 million (down 6.9% year on year).
Operating profit for the segment came to 133 million yen (up by 417.3% year on year), reflecting improved earnings due to the elimination of the risk of price volatility in power procurement and the sale of surplus power procured through direct trading in the wholesale power market, where prices are soaring.

f. ERD (Environmental Resources Development) Division

In the business of the Environmental Resources Development (ERD) Division, plastic fuel sales decreased 4.5% year on year due to a fall in the amount of waste materials priced relatively high received at some factories. Meanwhile, landfill sales increased 14.7% year on year and waste liquid treatment sales grew 2.7% year on year due to an increase in the acceptance volume, and power plant sales rose 11.7% year on year, rebounding from the suspension of power generation at Tomakomai power plant in April in the previous year for statutory inspections. As a result, net sales in this segment increased to ¥8,218 million (up 0.3% year on year).
Operating profit for the segment amounted to ¥1,558 million (up 29.1% year on year) due to a rebound from lower sales due to the statutory inspection of the Tomakomai power plant and the repair expenses posted in the previous fiscal year.

(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 ¥34,208 million, a decrease of ¥745 million from the end of the previous fiscal year. This was caused chiefly by a decrease in notes and accounts receivable – trade of ¥2,310 million despite a rise in cash and deposits of ¥1,615 million.

Total liabilities stood at ¥28,994 million, a decrease of ¥1,227 million from the end of the previous consolidated fiscal year. The main factors were a decrease of ¥5,640 million in short-term loans payable and a decrease of ¥465 million in notes and accounts payable-trade, despite increases of ¥3,856 million in long-term loans payable and ¥1,002 million in current portion of long-term loans payable, due to the refinancing of short-term loans payable into long-term loans payable.

Net assets totaled ¥5,214 million, a rise of ¥482 million from the end of the previous consolidated fiscal year. The key contributions to the increase included the posting of profit attributable to owners of parent of ¥442 million.

Consequently, the capital-to-asset ratio came to 15.2% at the end of the first half under review, compared with 13.5% 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 ¥5,004 million, an increase of ¥1,761 million from the end of the previous fiscal year, attributable to net cash provided by operating activities amounting to ¥3,237 million, despite outlays of ¥445 million in investing activities and ¥1,046 million in financing activities.

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 ¥3,237 million (compared with net cash of ¥238 million such activities provided in the same period of the previous fiscal year). The main factors were a ¥2,310 million decrease in notes and accounts receivable-trade and ¥880 million in depreciation and amortization as non-cash expenditure items.

(Net Cash Provided by Investment Activities)

Net cash used in investing activities was ¥445 million (compared with net cash of ¥1,161 million used in such activities in the same period of the previous fiscal year). The result primarily reflected the payment of ¥560 million for the purchase of property, plant and equipment.

(Net Cash Provided by Financing Activities)

Net cash used in financing activities was ¥1,046 million (compared with cash provided of ¥650 million one year earlier). The main factors were a net decrease in short-term loans payable of ¥5,640 million and repayment of installment obligations of ¥303 million, while there were proceeds from long-term loans payable of ¥5,053 million due to refinancing.

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

The full-year forecast for net sales is lower than the previous forecast due to the longer response period for the PV Division's grid interconnection and the longer delivery times for electrical components, etc. due to the disruption of global supply chain, in addition to the lower-than-expected net sales in the first half of the current fiscal year.

As for profits, operating profit, ordinary profit, and profit attributable to owners of parent are expected to fall short of initial forecasts due to the impact of the downward swing in the sales of the PV Division and an expected increase in repair costs as a result of a review of the details of Tomakomai power plant inspections to ensure stable operation.

For details, please see the Notice on Differences from Business Results Forecasts for the Six Months Ended September 30, 2022 and Revisions to the Full-Year Business Results Forecasts released today (November 14, 2022).

2. Quarterly Consolidated Financial Statements and the Primary Notes for the Six months ended September 30, 2022

(1) Quarterly Consolidated Balance Sheets

(In Millions of Yen)

	As of March 31,2022	**As of Sep. 30,2022**
Assets :		
Current Assets :		
Cash and deposits	3,914	**5,530**
Notes and accounts receivable-trade	6,593	**4,283**
Merchandise and finished goods	81	**129**
Work in process-construction	201	**340**
Raw materials and supplies	2,462	**3,005**
Other	1,453	**1,186**
Allowance for doubtful accounts	(154)	**(174)**
Total Current Assets	14,551	**14,301**
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	2,818	**2,609**
Machinery, Equipment and Vehicles(net of depreciation)	4,235	**4,277**
Land	8,314	**8,306**
Other (net of depreciation)	1,013	**1,070**
Total Property, Plant and Equipment	16,382	**16,263**
Intangible Fixed Assets :	701	**629**
Investments and Other Assets :	3,318	**3,014**
Total Fixed Assets	20,401	**19,907**
Total Assets	34,953	**34,208**

(In Millions of Yen)

	As of March 31,2022	**As of Sep. 30,2022**
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	3,798	**3,332**
Short-term loans payable	10,151	**4,511**
Current portion of long-term loans payable	386	**1,388**
Current portion of bonds payable	200	**200**
Accounts payable	2,964	**2,722**
Accrued income taxes	307	**274**
Provision for bonuses	273	**258**
Allowance for resource-recycling expenses	8	**9**
Other	3,627	**4057**
Total Current Liabilities	21,718	**16,755**
Non-Current Liabilities :		
Bonds payable	700	**600**
Long-term loans payable	2,297	**6,154**
Provision for directors' retirement benefits	4	**4**
Provision for disposal site closing expenses	732	**789**
Liability related to retirement benefits	1,963	**2,013**
Other	2,805	**2,676**
Total Non-Current Liabilities	8,503	**12,238**

Total Liabilities	30,221	**28,994**
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	**14,041**
Capital surplus	1	—
Retained earnings	(7,995)	**(7,555)**
Treasury stock	(1,481)	**(1,481)**
Total Shareholders' Equity	4,566	**5,004**
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	43	**44**
Foreign currency translation adjustment	100	**144**
Adjustment for retirement benefits (cumulative)	(0)	**(0)**
Total Accumulated other comprehensive income	142	**188**
Non-controlling Interests	22	**21**
Total Net Assets	4,732	**5,214**
Total Liabilities and Assets	34,953	**34,208**

(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	
	FY2021	**FY2022**
Net sales	23,145	**22,649**
Cost of sales	15,005	**14,581**
Gross profit	8,139	**8,068**
Selling, general and administrative expenses	7,550	**7,322**
Operating income	589	**746**
Non-operating income :		
Interest income	7	**7**
Dividends income	1	**1**
Land and house rent revenue	31	**31**
Other	24	**46**
Total non-operating income	65	**87**
Non-operating expenses :		
Interest expenses	117	**154**
Other	46	**67**
Total non-operating expenses	164	**221**
Ordinary income (loss)	490	**611**
Income (loss) before income taxes and minority interests	490	**611**
Income taxes-current	278	**123**
Income taxes-deferred	81	**46**
Total income taxes	359	**170**
Net Income (loss)	131	**441**
Net Income (loss) belonging to the non-controlling shareholders	(0)	**(1)**
Net income belonging to the shareholders of the parent company	132	**442**

(Quarterly Consolidated Statements of Comprehensive Income)

(In Millions of Yen)

	Six months From April 1 to September 30	
	FY2021	**FY2022**
Net Income	131	**441**
Other comprehensive income :		
Valuation difference on available-for-sale securities	(7)	**1**
Foreign currency translation adjustment	19	**44**
Retirement benefit adjustment	2	**0**
Total other comprehensive income	14	**45**
Comprehensive net income	146	**487**
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	147	**488**
Comprehensive income belonging to non-controlling shareholders	(0)	**(1)**

(3) Quarterly Consolidated Statements of Cash Flows

(In Millions of Yen)

	Six months From April 1 to September 30	
	FY2021	**FY2022**
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	490	**611**
Depreciation and amortization	630	**880**
Increase(Decrease) in Provision for bonuses	17	**(15)**
Increase (Decrease) in allowance for disposal site closing expenses	20	**57**
Increase (decrease) in provision for retirement benefits	46	**50**
Increase (decrease) in allowance for doubtful accounts	(0)	**(89)**
Interest income and dividends income	(9)	**(8)**
Interest expenses	117	**154**
Increase (decrease) in notes and accounts receivable-trade	(6)	**2,310**
Increase (decrease) in inventories	76	**(711)**
Increase (decrease) in other current assets	(62)	**213**
Increase (decrease) in notes and accounts payable-trade	(1,375)	**(499)**
Accounts payable	399	**(311)**
Increase (decrease) in accrued consumption taxes	(233)	**323**
Increase (decrease) in other current liabilities	168	**96**
Other	57	**428**
Subtotal	336	**3,489**
Interest and dividends income received	8	**8**
Interest expenses paid	(116)	**(157)**
Income taxes paid	(79)	**(149)**
Income taxes refund	89	**46**
Net cash provided by (used in) operating activities	238	**3,237**
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(319)	**(435)**
Proceeds from withdrawal of time deposits	472	**610**
Purchase of property, plant and equipment	(1,243)	**(560)**
Proceeds from sales of property, plant and equipment	7	**0**
Purchase of intangible assets	(86)	**(42)**
Other	8	**(18)**
Net cash provided by (used in) investing activities	(1,161)	**(445)**
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(412)	**(5,640)**
Proceeds from long-term loans payable	297	**5,053**
Repayment of long-term loans payable	(116)	**(193)**
Proceeds from issuance of bonds	1,000	－
Redemption of bonds	(500)	**(100)**
Proceeds from sale and leaseback transactions	82	**50**
Repayments of finance lease obligations	(242)	**(258)**
Proceeds from sale and installment back	748	**357**
Repayments of installment payables	(187)	**(303)**
Other	(21)	**(11)**
Net cash provided by (used in) financing activities	650	**(1,046)**
Effect of exchange rate change on cash and cash equivalents	8	**15**
Net increase (decrease) in cash and cash equivalents	(264)	**1,761**

Cash and cash equivalents, beginning of the period	4,760	**3,243**
Cash and cash equivalents, end of the quarter	4,496	**5,004**

(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）

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31 issued on June 17, 2021, hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the beginning of the first quarter under review. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in the future in accordance with the transitional handling stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application has no effect on quarterly consolidated financial statements.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System）

The Company and some of its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year under review. Consequently, with respect to accounting processing and disclosures for income tax, local corporate income tax and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 42 issued on August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.

(Segment Information, etc.)

Ⅰ. Six months ended September 30,2021 (From April 1, 2021 to September 30, 2021)

1. Information concerning the Amount of Net Sales and Operating Income (loss) by Segment

(In Millions of Yen)

	Segments							Others (note 1)	Total	Elimination or Group (note 2)	Consolidated (note 3)
	HS	ES	SE	PV	PPS	ERD	Total				
Sales:											
Sales to customers	6,487	1,264	-	3,828	3,114	8,194	22,890	255	23,145	-	23,145
Internal sales among segments and transfer accounts	-	-	-	-	17	-	17	-	17	(17)	-
Total	6,487	1,264	-	3,828	3,131	8,194	22,907	255	23,162	(17)	23,145
Operating income(loss)	1,394	121	-	(294)	25	1,207	2,454	(150)	2,304	(1,714)	589

(note 1)

The “Other” segment is a retail business selling photovoltaic power generation and electric power as a set to detached houses through alliances with other companies.

(note 2)

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 note attributable to reportable segments.

(note 3)

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

Ⅱ. Six months ended September 30,2022 (From April 1, 2022 to September 30, 2022)

1. Information concerning the Amount of Net Sales and Operating Income (loss) by Segment

(In Millions of Yen)

	Segments							Others	Total	Elimination or Group (note 2)	Consolidated (note 3)
	HS	ES	SE	PV	PPS	ERD	Total				
Sales:											
Sales to customers	6,126	1,190	791	3,408	2,914	8,218	22,649	-	22,649	-	22,649
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-	-	-	-	-
Total	6,126	1,190	791	3,408	2,914	8,218	22,649	-	22,649	-	22,649
Operating income(loss)	883	8	(100)	(159)	133	1,558	2,325	-	2,325	(1,579)	746

(note 1)

Negative ¥1,579 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses note attributable to reportable segments.

(note 2)

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

2. Information on changes in reportable segments

The Group has implemented a reorganization with the goal of facilitating growth through the pursuit of synergy between the businesses. As a result, starting from the second quarter of the fiscal year under review, the reportable segments are as follows: the HS Division, ES Division, SE Division, PV Division, PPS Division, and ERD Division. The segment information for the second quarter of the previous fiscal year presented in this report has been prepared based on the reportable segments after this change. However, it is practically difficult to prepare a report for the photovoltaic power generation system business for detached houses that was included in the former SE Division by dating back the necessary financial information and including it in the new SE Division. Therefore, it is included in the PV Division.

3. Others

(1) Important matters related to going concern assumption

In the previous fiscal year, the Group posted a significant operating loss, ordinary loss, and loss attributable to owners of parent due to a substantial increase in the cost of procuring electric power in the PPS business, and there were events or circumstances that may cause significant doubt about the Group's going concern assumption.

To resolve this situation, the Group changed to a policy of establishing supply agreements within the range of direct procurement in the previous fiscal year, stopped accepting new applications for electric power supply and demand agreements, and ended, rather than renewing, direct wholesale agreements unlikely to turn a profit in March 2022. In the first six months under review, the Group completed the shift of unprofitable projects among its retail electric power agreements to agreements for distribution to other companies and switched from market procurement to direct procurement for power procurement, thereby eliminating the risk of price volatility.

Consequently, the Group posted operating profit, ordinary profit, and profit attributable to owners of parent for the first half of the fiscal year under review.

However, profit remains lower than the conventional level chiefly due to resource prices remaining high, and there remains a certain amount of uncertainty regarding the financial outlook. Therefore, the Group continues to recognize the presence of events or circumstances that may cause significant doubt about the going concern assumption in the second quarter under review.

In terms of funding, we have explained the situation to the financial institutions and received their understanding of financial support. We have already procured the necessary funds and have obtained their agreement not to exercise the right to claim for forfeiture of the benefit of time with regard to the violation of financial covenants that have arisen in some of our loans.

Based on the above, the Group believes that there is no material uncertainty regarding the going concern assumption.

(2) Consolidated Net Sales by Division

(In Million of Yen)

Item		Unit	From April 1 to September 30				Comparison	
			FY2021		FY2022			
			QTY	Amount	QTY	Amount	QTY	Amount
	Termite control construction	*1,000 tsubo	318	1,992	319	2,099	1	107
	Under-floor/attic ventilation system	－	－	1,668	－	1,514	－	-154
	Foundation Repair/ Home Reinforcement System	House	2,516	1,045	1,999	858	-517	-186
	Others	－	－	1,781	－	1,653	－	-128
Home Sanitation Division Total		－	－	6,487	－	6,126	－	-361
	Anti-rust equipment installation	Piece	624	648	397	456	-227	-191
	Water supply and drainage repair	－	－	326	－	364	－	38
	Waterproofing and renovation of buildings	－	－	82	－	171	－	88
	Others	－	－	207	－	197	－	-9
Establishment Sanitation Division Total		－	－	1,264	－	1,190	－	-74
	Sales and installation of PV system	－	－	－	－	791	－	－
Solar Engineering Division Total		－	－	－	－	791	－	－
	Sales and installation of PV system	－	－	3,753	－	3,286	－	－
	Wholesale of PV system	－	－	34	－	74	－	－
	Others	－	－	40	－	47	－	－
Phtovoltaic Division Total		－	－	3,828	－	3,408	－	－
	Sales of Electricity	－	－	3,131	－	2,914	－	-217
Power Producer and Supplier Division Total		－	－	3,131	－	2,914	－	-217
	Plastic fuel	t	138,244	5,106	135,908	4,875	-2,336	-230
	Power Plant	－	－	1,409	－	1,574	－	164
	Waste liquid treatment	t	49,622	1,010	50,954	1,037	1,332	27
	Landfill	－	－	425	－	488	－	62
	Others	－	－	241	－	241	－	0
Environmental Resources Development Division Total		－	－	8,194	－	8,218	－	23
Others		－	－	255	－	－	－	-255
Adjustment of intersegment sales		－	－	(17)	－	－	－	17
Total Net Sales		－	－	23,145	－	22,649	－	-495

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 ㎡.

3. The Group reclassified its reportable segments in the second quarter under review, and year-on-year comparisons of the SE Division and the PV Division are omitted due to the practical difficulty of recalculating figures for the same period of the previous year.