



SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the First Quarter Ended June 30, 2018

[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, 2018

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, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results

(In Millions of Yen)

| | First Quarter | | | |
|---------------------------------------|-------------------------|---------|--------|---------|
| | From April 1 to June 30 | | | |
| | FY2018 | %change | FY2017 | %change |
| Net Sales..... | 11,733 | (3.0%) | 12,098 | 6.5% |
| Operating Income | 103 | (73.8%) | 396 | — |
| Ordinary Income | 154 | (47.2%) | 292 | — |
| Net Income | 111 | (46.8%) | 209 | — |
| Net Income per Share (¥)..... | ¥2.33 | — | ¥4.38 | — |
| Net Income per Share, Diluted(¥)..... | — | — | — | — |
| (Note) Comprehensive Income | 91 | (58.8%) | 222 | — |

(2) Consolidated Financial Position

(In Millions of Yen)

| | As of June 30 | As of March 31 |
|--------------------------------------|---------------|----------------|
| | FY2018 | FY2017 |
| Total Assets..... | 28,457 | 29,938 |
| Net Assets | 4,167 | 4,076 |
| Shareholders' Equity Ratio (%) | 14.5% | 13.5% |
| Net assets per share(¥)..... | ¥86.45 | ¥84.54 |
| (Reference) Equity Capital..... | 4,132 | 4,041 |

2. Dividends

| | Quarterly Period | | | | Annual |
|--|----------------------------|----------------------------|----------------------------|----------------------------|--------|
| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter | |
| (Dividends per Share) | | | | | |
| FY2017 ended March 31, 2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FY2018 ended March 31, 2019 | 0.00 | | | | |
| FY2018 ended March 31, 2019 (Forecast) | | 0.00 | 0.00 | 0.00 | 0.00 |

3. Forecasts for Consolidated Business Results (April 1, 2018 to March 31, 2019)

(In Millions of Yen)

| | Fiscal Year 2018 | | | |
|--------------------------|--------------------------|----------|-----------|---------|
| | From April 1 to March 31 | | | |
| | Second Half | %change | Full Year | %change |
| Net Sales | 24,315 | 0.6% | 50,000 | 0.0% |
| Operating Income | 868 | (526.1%) | 2,190 | 75.7% |
| Ordinary Income | 818 | — | 2,100 | 106.0% |
| Net Income | 643 | — | 1,610 | 36.4% |
| Net Income per Share (¥) | (¥13.45) | | ¥33.68 | |

* 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, 2018 | March 31, 2018 |
| 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 | 1,113,923 | 1,113,923 |
| Average number of shares during the fiscal term | 47,805,473 | * 47,805,715 |

* June 30, 2017

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

* Note to ensure appropriate use of forecasts:

Forecasts in this document are based on assumptions, prospects and plans as of the date of this document. Actual results may differ significantly from these forecasts, due to various factors affecting the Company's business performance, such as change in economical conditions. For details of these assumptions, prospects and plans, and for notes appropriate use of forecasts for the business results, please see page 2 of the Attachment.

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1. Qualitative Information for the first quarter ended June 30, 2018

(1) Information of Consolidated Business Results

In the first quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to June 30, 2018), the Japanese economy continued to follow a modest recovery path with consumer spending showing signs of picking up, backed by improved corporate earnings and employment conditions, despite future uncertainty remaining due to the contingency of overseas economies and unstable political situations in Japan and overseas.

Under these circumstances, the Group promoted fundamental management rationalization in line with the medium-term business plan (fiscal 2016 – fiscal 2018) that was prepared based on the business environment surrounding the solar electric power market. In the previous consolidated fiscal year, the Group established the “SE/HS/ES Business Headquarters” to make the shift to a structure for more effective sales activities and more efficient construction work through mutual cooperation among the three businesses of SE, HS and ES and promoted the further optimization of personnel through transfers from the SE Division to the HS Division and the ES Division in the first quarter under review.

As for net sales in the first quarter under review, sales increased in the HS Division and the ES Division as a result of promoting the expansion of the business size by allocating management resources including personnel, and sales also increased in the Environmental Resources Development Business Division as a result of expanding electricity sales in the Power Producer and Supplier (PPS) business. However, sales declined significantly in the SE Division due to the impact of the contraction of the solar electric power market. As a result, net sales of the entire Group stood at ¥11,733 million (down 3.0% year on year).

Profit increased in the HS Division, the ES Division and the Environmental Resources Development Business Division on the back of higher sales. However, profit declined significantly in the SE Division, where sales decreased substantially. As a result, for the entire Group, operating income came to ¥103 million (down 73.8% year on year) and ordinary income was ¥154 million (down 47.2% year on year). Net income attributable to the owners of the parent company stood at ¥111 million (down 46.8% year on year).

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

a. SE (Solar Engineering) Division

Sales declined in solar electric power systems. In addition to the impact of the contracted size of the solar electric power market, there was a longer-than-expected delay in the approval of business plans of Feed-in-Tariffs (FIT) in the first quarter under review, which resulted in a situation of backward shifts overall. As a result, net sales declined significantly to ¥2,779 million (down 38.2% year on year).

Operating income decreased substantially due to lower sales, despite segment efforts to reduce expenses through the transfer of personnel to the HS Division and reduce raw material costs, and the segment posted an operating loss of ¥88 million (compared with operating income of ¥442 million in the same period of the previous fiscal year).

b. HS (Home Sanitation) Division

The HS Division strengthened the sales and construction systems so that the Division would be able to make carefully crafted proposals for the maintenance of ordinary houses by increasing personnel through transfers for the purpose of expanding its business size. As a result, termite extermination increased 27.0% year on year, and underfloor/ceiling ventilation systems rose 30.6% year on year. Base repair/roof reinforcement construction increased 24.1%. As a result, the division's sales rose to ¥2,711 million (up 16.4% year on year).

Operating income stood at ¥580 million (up 44.2% year on year) mainly thanks to the significant increase in sales, an improvement in construction efficiency and a fall in subcontract expenses, despite a rise in costs such as personnel expenses due to the increase in personnel.

c. ES (Establishment Sanitation) Division

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 104.2% year on year as a result of increasing personnel through transfers for the purpose of expanding the business size of the Division, strengthening sales activities to the owners of buildings and condominiums and enhancing relationships with partner companies, including management companies. As a consequence, the division's net sales rose to ¥415 million (up 33.8% year on year).

Operating income rose to ¥52 million (up 30.7% year on year) mainly due to the significant increase in sales, an improvement in construction efficiency and a fall in subcontract expenses, despite a rise in costs such as personnel expenses due to the increase in personnel.

d. Environmental Resources Development (ERD) Division

Due to a rise in the collection volume of waste plastic for fuels, plastic fuel sales increased 11.9% year on year and electricity sales rose 29.3% year on year due to the expansion of the

Power Producer and Supplier (PPS) business. As a result, net sales amounted to ¥5,826 million (up 17.5% year on year).

Operating income increased to ¥439 million (up 29.9% year on year) due to an increase in unit prices for the collection of waste plastic, an improvement in fuel quality and the reduction of costs reflecting the improved efficiency of plastic fuels, as well as higher sales in the PPS business and the contribution of the stabilized costs of power procurement.

(2) Information of Consolidated Financial Position

Total assets as of the end of the first quarter under review amounted to ¥28,457 million, a decrease of ¥1,480 million from the end of the previous fiscal year, which was caused chiefly by a fall in cash and deposits of ¥1,348 million. Total liabilities stood at ¥24,289 million, a decline of ¥1,571 million from the end of the previous fiscal year, which was attributable largely to decreases in notes and accounts payable-trade of ¥1,107 million, short-term loans payable of ¥288 million and accounts payable-other of ¥166 million. Net assets totaled ¥4,167 million, an increase of ¥91 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 ¥111 million.

Consequently, the capital-to-asset ratio for the first quarter of the fiscal year under review came to 14.5%, an increase from 13.5% at the end of the previous fiscal year.

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

There is no change in the forecast of consolidated business results for the current fiscal year ending March 31, 2019, from the forecasts announced on May 14, 2018.

2. Quarterly Consolidated Financial Statements and the Primary Notes for the first quarter ended June 30, 2018

(1) Quarterly Consolidated Balance Sheets

| | (In Millions of Yen) | |
|--|----------------------|---------------|
| | As of March 31 | As of June 30 |
| | FY2017 | FY2018 |
| Assets : | | |
| Current Assets : | | |
| Cash and deposits | 5,482 | 4,134 |
| Notes and accounts receivable-trade | 5,485 | 5,084 |
| Merchandise and finished goods | 273 | 238 |
| Work in process-construction | 209 | 197 |
| Raw materials and supplies | 4,035 | 4,153 |
| Other | 797 | 1,027 |
| Allowance for doubtful accounts | (525) | (509) |
| Total Current Assets | 15,759 | 14,327 |
| Fixed Assets: | | |
| Property, Plant and Equipment : | | |
| Buildings and structures (net of depreciation) | 2,080 | 2,009 |
| Machinery, Equipment and Vehicles(net of depreciation) | 1,189 | 1,251 |
| Land | 7,811 | 7,811 |
| Other, net | 844 | 792 |
| Total Property, Plant and Equipment | 11,926 | 11,863 |
| Intangible Fixed Assets : | | |
| Goodwill | 65 | 37 |
| Other | 148 | 153 |
| Intangible Fixed Assets | 214 | 191 |
| Investments and Other Assets : | 2,037 | 2,074 |
| Total Fixed Assets | 14,178 | 14,129 |
| Total Assets | 29,938 | 28,457 |

| | (In Millions of Yen) | |
|---|----------------------|---------------|
| | As of March 31 | As of June 30 |
| | FY2017 | FY2018 |
| Liabilities : | | |
| Current Liabilities : | | |
| Notes and accounts payable-trade | 5,079 | 3,971 |
| Short-term loans payable | 11,685 | 11,397 |
| Current portion of long-term loans payable | 140 | 129 |
| Accounts payable | 3,069 | 2,902 |
| Accrued income taxes | 409 | 478 |
| Allowance for resource-recycling expenses | 27 | 20 |
| Other | 2,592 | 2,511 |
| Total Current Liabilities | 23,003 | 21,410 |
| Non-Current Liabilities : | | |
| Long-term loans payable | 325 | 304 |
| Provision for directors' retirement benefits | 9 | 9 |
| Provision for disposal site closing expenses | 573 | 581 |
| Liability Related to Retirement Benefits | 1,465 | 1,488 |
| Other | 483 | 494 |
| Total Non-Current Liabilities | 2,857 | 2,878 |
| Total Liabilities | 25,861 | 24,289 |
| Net Assets : | | |
| Shareholders' Equity : | | |
| Capital stock | 14,041 | 14,041 |
| Capital surplus | 1 | 1 |
| Retained earnings | (8,597) | (8,486) |
| Treasury stock | (1,481) | (1,481) |
| Total Shareholders' Equity | 3,964 | 4,076 |
| Valuation and translation adjustments : | | |
| Valuation difference on available-for-sale securities | 76 | 68 |
| Deferred gains or losses on hedges | (0) | — |
| Foreign currency translation adjustment | 3 | (9) |
| Adjustment for Retirement Benefits (Cumulative) | (2) | (1) |
| Total Other comprehensive income | 76 | 56 |
| Non-controlling Interests | 35 | 34 |
| Total Net Assets | 4,076 | 4,167 |
| Total Liabilities and Assets | 29,938 | 28,457 |

(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, 2019)

(In Millions of Yen)

| | First Quarter | |
|--|-------------------------|---------------|
| | From April 1 to June 30 | |
| | FY2017 | FY2018 |
| Net sales | 12,098 | 11,733 |
| Cost of sales | 8,376 | 8,193 |
| Gross profit | 3,722 | 3,540 |
| Selling, general and administrative expenses | 3,325 | 3,436 |
| Operating income (loss) | 396 | 103 |
| Non-operating income : | | |
| Interest income | 2 | 1 |
| Dividends income | 1 | 1 |
| Land and house rent revenue | 15 | 16 |
| Foreign exchange gains | - | 11 |
| Subsidy income | 20 | 0 |
| Compensation income | - | 70 |
| Other | 18 | 6 |
| Total non-operating expenses | 58 | 107 |
| Non-operating expenses : | | |
| Interest expenses | 53 | 47 |
| Foreign exchange losses | 38 | - |
| Other | 69 | 8 |
| Total non-operating expenses | 161 | 56 |
| Ordinary income (loss) | 292 | 154 |
| Income (loss) before income taxes and minority interests | 292 | 154 |
| Income taxes-current | 84 | 88 |
| Income taxes-deferred | (1) | (42) |
| Total income taxes | 82 | 43 |
| Net Income | 210 | 111 |
| Net Income (loss) attributable to the non-controlling shareholders | 1 | (0) |
| Net income (loss) attributable to the shareholders of the parent company | 209 | 111 |

(Quarterly Consolidated Statements of Comprehensive Income)
(For the first quarter of the fiscal year ending March 31, 2019)

| | (In Millions of Yen) | |
|--|-------------------------|-------------|
| | First Quarter | |
| | From April 1 to June 30 | |
| | FY2017 | FY2018 |
| Income before minority interests | 210 | 111 |
| Other comprehensive income : | | |
| Share of other comprehensive income of associates accounted for using equity method | 2 | (8) |
| Deferred gains or losses on hedges | - | 0 |
| Foreign currency translation adjustment | 6 | (13) |
| Retirement benefit adjustment | 3 | 0 |
| Total other comprehensive income | 12 | (19) |
| Comprehensive net income | 222 | 91 |
| Comprehensive net income attributable to | | |
| Comprehensive net income (loss) attributable to non-controlling shareholders | 221 | 91 |
| Comprehensive net income (loss) attributable to the shareholders of the parent company | 1 | (0) |

(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, 2017 to June 30, 2017)****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 | Total | | |
| Sales: | | | | | | | |
| Sales to customers | | | | | | | |
| Internal sales among segments | 4,500 | 2,329 | 310 | 4,957 | 12,098 | - | 12,098 |
| And transfer accounts | - | - | - | - | - | - | - |
| Total | 4,500 | 2,329 | 310 | 4,957 | 12,098 | - | 12,098 |
| Operating income | 442 | 402 | 40 | 338 | 1,223 | (826) | 396 |

(note 1)

Negative ¥826 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, 2018 to June 30, 2018)**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 | Total | | |
| Sales: | | | | | | | |
| Sales to customers | | | | | | | |
| Internal sales among segments | 2,779 | 2,711 | 415 | 5,826 | 11,733 | - | 11,733 |
| And transfer accounts | - | - | - | - | - | - | - |
| Total | 2,779 | 2,711 | 415 | 5,826 | 11,733 | - | 11,733 |
| Operating income (loss) | (88) | 580 | 52 | 439 | 984 | (880) | 130 |

(note 1)

Negative ¥826 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 |
|---|-------------------------|---------------|----------------|
| | FY2017 | FY2018 | |
| Commercial PV system | 4,147 | 2,602 | (1,545) |
| Wholesale of PV components | 266 | 114 | (151) |
| Others | 86 | 62 | (23) |
| Solar Engineering Total | 4,500 | 2,779 | (1,720) |
| Termite Eradication Service | 728 | 925 | 196 |
| Under-Roof/Roof Ventilation System | 315 | 411 | 96 |
| Foundation Repairing/Home Reinforcement System | 460 | 571 | 111 |
| Others | 825 | 803 | (21) |
| Home Sanitation Division Total | 2,329 | 2,711 | 382 |
| Anti-rust equipment installation | 100 | 206 | 105 |
| Repair of building water-woks | 83 | 75 | (7) |
| Water proofing of building | 28 | 34 | 5 |
| Others | 97 | 98 | 1 |
| Establishment Sanitation Division Total | 310 | 415 | 104 |
| Plastic fuel | 1,835 | 2,052 | 217 |
| Generation of electricity | 2,318 | 2,996 | 678 |
| Industrial waste (Organic Waste Water Recycle) | 460 | 409 | (50) |
| Final disposal | 164 | 203 | 39 |
| Others | 179 | 164 | (15) |
| Environmental Resources Development Division Total : | 4,957 | 5,826 | 868 |
| Total Net Sales | 12,098 | 11,733 | (365) |

(note)

Items whose quantity is difficult to grasp because of their wide variety are omitted from the statements.