



SANIX INCORPORATED

Summary of Consolidated Financial Statements
For the Second Quarter Ended September 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 Half ended September 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 Half ended September 30, 2018 (April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results

(In Millions of Yen)

	First Half			
	From April 1 to September 30			
	FY2018	%change	FY2017	%change
Net Sales.....	24,447	1.2%	24,162	2.2%
Operating Income	688	396.6%	138	33.9%
Ordinary Income	689	—	(29)	—
Net Income	194	—	(155)	—
Net Income per Share (¥)	¥4.06	—	(¥3.25)	—
Net Income per Share, Diluted(¥).....	—	—	—	—
(Note) Comprehensive Income	173	—	(104)	—

(2) Consolidated Financial Position

(In Millions of Yen)

	As of September 30	As of March 31
	FY2018	FY2017
	Total Assets	29,950
Net Assets	4,249	4,076
Shareholders' Equity Ratio (%)	14.1%	13.5%
Net assets per share(¥)	¥88.15	¥84.54
(Reference) Equity Capital	4,214	4,041

2. Dividends

	End of Quarterly Period				Annual
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
(Dividends per Share)					
FY2017 ended March 31, 2018 (¥)	0.00	0.00	0.00	0.00	0.00
FY2018 ended March 31, 2019 (¥)	0.00	0.00			
FY2018 ended March 31, 2019 (¥) (Forecast)			0.00	0.00	0.00

(Note) Revision from the most recently announced dividend forecast: None

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

(In Millions of Yen)

	Fiscal Year 2018	
	Full Year	%change
Net Sales.....	49,434	(1.1%)
Operating Income	1,338	7.3%
Ordinary Income	1,290	26.6%
Net Income	534	(54.7%)
Net Income per Share (¥).....	¥11.19	

(Note) Revision from the most recently announced forecast of consolidated business results: Exist

* 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)

	End of term	
	September 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	* 47,805,678

* September 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.

Index of the attachment

- 1. Qualitative Information for the First Half ended September 30, 2018** 2
 - (1) Information of Consolidated Business Results 2
 - (2) Information of Consolidated Financial Position 5
 - (3) Information on the Future Outlook,
Including the Forecasts of Consolidated Business Results 6

- 2. Quarterly Consolidated Financial Statements and the Primary Notes for the First Half ended September 30, 2018** 7
 - (1) Quarterly Consolidated Balance Sheets..... 7
 - (2) Quarterly Consolidated Statements of Income and Comprehensive Income 9
 - Quarterly Consolidated Statements of Income
for the first half of the fiscal year ending March 31,2019 9
 - Quarterly Consolidated Statements of Comprehensive Income
for the first half of the fiscal year ending March 31,2019 10
 - (3) Quarterly Consolidated Statements of Cash Flows 11
 - (4) Notes regarding the Quarterly Consolidated Financial Statements..... 12
 - Note to the Assumption of a Going Concern..... 12
 - Notes to Remarkable Changes in the amount of Shareholders' Equity 12
 - Segment Information, etc. 13

- 3. Others** 14
 - Consolidated Net Sales by Division..... 14

1. Qualitative Information for the First Half ended September 30, 2018

(1) Information of Consolidated Business Results

In the first half of the fiscal year ending March 31, 2019 (April 1, 2018 to September 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 transferred personnel from the SE Division to the HS Division and the ES Division in the first quarter of the current fiscal year to promote the further optimization of personnel.

The Tomakomai Power Plant (Tomakomai, Hokkaido) suspended power generation because of the effects of the Hokkaido Eastern Ibari earthquake that occurred before dawn on September 6 during the first half under review, and the Group is proceeding with the detailed inspection of stricken sections and recovery work. The Group expects the operation to resume in early March 2019 and will work hard to resume the operation as soon as possible.

As for net sales in the first half 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 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 ¥24,447 million (up 1.2% 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 ¥688 million (up 396.6% year on year) and ordinary income was ¥689 million (compared with an ordinary loss of ¥29 million in the same period of the previous year). Net income attributable to the owners of the parent company stood at ¥194 million (compared with a net loss attributable to the owners of the parent company of ¥155 million in the same period of the previous year) as a result of posting ¥377 million, the expected amount of expenses for restoring the facilities at the Tomakomai Power Plant

stricken by the Hokkaido Eastern Iburi earthquake, as a loss caused by the disaster under extraordinary losses.

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 half under review, which resulted in a situation of backward shifts overall. As a result, net sales declined significantly to ¥5,947 million (down 31.8% 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 operating income of ¥55 million (down 94.1% year on 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 34.2% year on year, and underfloor/ceiling ventilation systems rose 36.9% year on year. Base repair/roof reinforcement construction increased 21.8%. As a result, the division's sales rose to ¥5,495 million (up 19.2% year on year).

Operating income stood at ¥1,238 million (up 65.2% 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 79.8% 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 ¥905 million (up 32.1% year on year).

Operating income rose to ¥128 million (up 30.6% 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

11.8% year on year and electricity sales rose 30.0% year on year due to the expansion of the Power Producer and Supplier business. As a result, net sales amounted to ¥12,099 million (up 19.2% year on year).

Operating income increased to ¥962 million (compared with an operating loss of ¥57 million in the same period of the previous 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 Power Producer and Supplier business and the contribution of the stabilized costs of power procurement.

(2) Information of Consolidated Financial Position

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

Total assets as of the end of the first half under review amounted to ¥29,950 million, an increase of ¥12 million from the end of the previous consolidated fiscal year, which was caused chiefly by an increase in merchandise and finished goods of ¥823 million and an increase in machinery, equipment and vehicles of ¥143 million, despite a decrease in cash and deposits of ¥1,068 million.

Total liabilities stood at ¥25,701 million, a decline of ¥160 million from the end of the previous consolidated fiscal year, which was attributable largely to a decrease in notes and accounts payable-trade of ¥983 million, while short-term loans payable increased by ¥742 million.

Net assets totaled ¥4,249 million, an increase of ¥172 million from the end of the previous consolidated fiscal year, mainly due to the posting of net income attributable to the owners of parent company of ¥194 million.

Consequently, the capital-to-asset ratio for the first quarter of the fiscal year under review came to 14.1%, an increase from 13.5% at the end of the previous fiscal year.

b. Information on Consolidated Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of September 30, 2018, totaled ¥3,833 million, a decrease of ¥1,249 million (24.6%) from March 31, 2018, due to net cash used in operating activities and investing activities of ¥1,468 million and ¥417 million, respectively, despite cash provided by financing activities of ¥642 million.

Cash flows and reasons for changes in cash flows during the period are described below.

(Net Cash Provided by Operating Activities)

Net cash used in operating activities totaled ¥1,468 million (compared with net cash provided of ¥44 million in the same period last year). This was mainly due to a decrease in notes and accounts payable-trade of ¥969 and an increase in inventories of ¥818, while income before income taxes and minority interests of ¥312 million was posted.

(Net Cash Provided by Investment Activities)

Net cash used in investing activities totaled ¥417 million (compared with net cash used of ¥39 million in the same period in the previous year). This was mainly due to payments into time deposits of ¥520 million and purchase of property, plant and equipment of ¥214 million, despite proceeds from withdrawal of time deposits of ¥328 million.

(Net Cash Provided by Financing Activities)

Net cash provided by financing activities amounted to ¥642 million (compared with net cash used of ¥1,184 million in the same period last year), mainly due to net increase in short-term loans payable of ¥742 million.

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

The Company revised the forecasts of consolidated business results for the current fiscal year ending March 31, 2019 on November 13, 2018, as described below.

With regard to the full-year results forecasts, the Tomakomai Power Plant of the Group has suspended power generation due to the effects of the 2018 Hokkaido Eastern Iburi earthquake that occurred on September 6, 2018. There is no prospect for electricity sales during the suspension period, because the Group expects the operation to resume in early March 2019 although the Group will work hard to resume the operation ahead of schedule.

Based on these circumstances, the Group will revise its full-year forecast for net sales as described below.

In terms of profit, operating income and ordinary income are likely to fall below the previous forecasts, given that net sales will be below the previous forecast and that there is the burden of fixed costs and so on. In addition, net income attributable to the owners of the parent company is expected to fall below the previous forecast because the Group will post expenses for restoring the original state of the Tomakomai Power Plant as a loss caused by the disaster under extraordinary losses.

The forecast of Consolidated Business Results for the full fiscal year ending March 31, 2019
(From April 1, 2018 to March 31, 2019)

(In Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share/¥
Previous Forecast (A)	50,000	2,190	2,100	1,610	¥33.68
Revised Forecast (B)	49,434	1,338	1,290	534	¥11.19
Changes (B-A)	- 565	- 851	- 809	- 1,075	—
Rate of Change (%)	(1.1)	(38.9)	(38.6)	(66.8)	—
Reference: Results for FY2017 (ended March 31,2018)	49,993	1,246	1,019	1,180	¥24.68

2. Quarterly Consolidated Financial Statements and the Primary Notes for the First Half ended September 30, 2018

(1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2017	FY2018
Assets :		
Current Assets :		
Cash and deposits	5,482	4,413
Notes and accounts receivable-trade	5,485	5,447
Merchandise and finished goods	273	1,097
Work in process-construction	209	218
Raw materials and supplies	4,035	4,017
Other	797	1,040
Allowance for doubtful accounts	(525)	(468)
Total Current Assets	15,759	15,767
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	2,080	1,952
Machinery, Equipment and Vehicles(net of depreciation)	1,189	1,332
Land	7,811	7,811
Other (net of depreciation)	844	740
Total Property, Plant and Equipment	11,926	11,837
Intangible Fixed Assets :		
Goodwill	65	9
Other	148	252
Intangible Fixed Assets	214	261
Investments and Other Assets :	2,037	2,083
Total Fixed Assets	14,178	14,183
Total Assets	29,938	29,950

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2017	FY2018
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	5,079	4,095
Short-term loans payable	11,685	12,427
Current portion of long-term loans payable	140	122
Accounts payable	3,069	2,742
Accrued income taxes	409	294
Allowance for resource-recycling expenses	27	37
Allowance for disaster loss	-	377
Other	2,592	2,550
Total Current Liabilities	23,003	22,648
Non-Current Liabilities :		
Long-term loans payable	325	298
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	573	587
Liability related to retirement benefits	1,465	1,508
Other	483	648
Total Non-Current Liabilities	2,857	3,053
Total Liabilities	25,861	25,701
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(8,597)	(8,403)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	3,964	4,159
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	76	73
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	3	(17)
Adjustment for retirement benefits (cumulative)	(2)	(1)
Total Accumulated other comprehensive income	76	55
Non-controlling Interests	35	34
Total Net Assets	4,076	4,249
Total Liabilities and Assets	29,938	29,950

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(for the first half of the fiscal year ending March 31, 2019)

	(In Millions of Yen)	
	First Half	
	From April 1 to September 30	
	FY2017	FY2018
Net sales	24,162	24,447
Cost of sales	17,476	16,943
Gross profit	6,685	7,503
Selling, general and administrative expenses	6,546	6,815
Operating income	138	688
Non-operating income :		
Interest income	7	4
Dividends income	1	1
Land and house rent revenue	31	32
Foreign exchange gains	-	8
Subsidy income	20	0
Compensation income	-	70
Other	28	12
Total non-operating income	88	129
Non-operating expenses :		
Interest expenses	109	98
Foreign exchange losses	28	-
Other	117	30
Total non-operating expenses	256	128
Ordinary income (loss)	(29)	689
Extra ordinary loss :		
Loss on disaster	-	377
Total extraordinary loss	-	377
Income (loss) before income taxes and minority interests	(29)	312
Income taxes-current	128	158
Income taxes-deferred	(4)	(40)
Total income taxes	124	117
Net Income (loss)	(154)	194
Net Income (loss) belonging to the non-controlling shareholders	1	0
Net income (loss) belonging to the shareholders of the parent company	(155)	194

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

	(In Millions of Yen)	
	First Half	
	From April 1 to September 30	
	FY2017	FY2018
Net Income (loss)	(154)	194
Other comprehensive income :		
Valuation difference on available-for-sale securities	8	(2)
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	33	(20)
Adjustment for retirement benefit adjustment	7	1
Total other comprehensive income	49	(21)
Comprehensive net income	(104)	173
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	(106)	172
Comprehensive income belonging to non-controlling shareholders	1	0

(3) Quarterly Consolidated Statements of Cash Flows

(In Millions of Yen)

	First Half	
	From April 1 to September 30	
	FY2017	FY2018
Net Cash Provided by (Used in) Operating Activities		
Income (loss) before income taxes and minority interests	(29)	312
Depreciation and amortization	324	394
Amortization of goodwill	56	56
Increase (Decrease) in reserve for directors' retirement benefits	(154)	-
Increase (Decrease) in allowance for disposal site closing expenses	18	14
Increase (Decrease) in allowance for resource-recycling expenses	(3)	9
Increase (Decrease) in allowance for disaster loss	-	377
Increase (decrease) in provision for retirement benefits	27	44
Increase (decrease) in allowance for doubtful accounts	9	(222)
Interest income and dividends income	(8)	(5)
Interest expenses	109	98
Increase (decrease) in notes and accounts receivable-trade	502	37
Increase (decrease) in inventories	546	(818)
Increase (decrease) in other current assets	(135)	(289)
Increase (decrease) in notes and accounts payable-trade	(1,796)	(969)
Increase (decrease) in accrued consumption taxes	77	(154)
Increase (decrease) in other current liabilities	823	(174)
Other, net	62	178
Subtotal	430	(1,111)
Interest and dividends income received	8	5
Interest expenses paid	(107)	(101)
Income taxes paid	(285)	(296)
Income taxes refund	-	36
Net cash provided by (used in) operating activities	44	(1,468)
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(667)	(520)
Proceeds from withdrawal of time deposits	642	328
Purchase of property, plant and equipment	(168)	(214)
Proceeds from sales of property, plant and equipment	200	0
Other, net	(45)	(10)
Net cash provided by (used in) investing activities	(39)	(417)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(606)	742
Proceeds from long-term loans payable	-	20
Repayment of long-term loans payable	(357)	(65)
Repayments of finance lease obligations	(125)	(88)
Other, net	(95)	34
Net cash provided by (used in) financing activities	(1,184)	642
Effect of exchange rate change on cash and cash equivalents	7	(7)
Net increase (decrease) in cash and cash equivalents	(1,172)	(1,249)
Cash and cash equivalents, beginning of the period	4,875	5,083
Cash and cash equivalents, end of the quarter	3,703	3,833

(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

(Segment Information, etc.)**I The previous first half (From April 1, 2017 to September 30, 2017)****i) 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	8,716	4,611	685	10,149	24,162	-	24,162
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	8,716	4,611	685	10,149	24,162	-	24,162
Operating income (loss)	937	749	98	(57)	1,728	(1,590)	138

(note 1)

Negative ¥1,590 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 The first half (From April 1, 2018 to September 30, 2018)**i) 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	5,947	5,495	905	12,099	24,447	-	24,447
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	5,947	5,495	905	12,099	24,447	-	24,447
Operating income (loss)	53	1,238	128	962	2,384	(1,696)	688

(note 1)

Negative ¥1,696 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. Others

Consolidated Net Sales by Division

	(In Millions of Yen)		
	From April 1 to September 30		Changes
	FY2017	FY2018	
Commercial PV system	7,992	5,564	(2,427)
Wholesale of PV components	576	288	(287)
Others	147	94	(53)
Solar Engineering Division Total	8,716	5,947	(2,768)
Termite Eradication Service	1,364	1,831	467
Under-Floor/Roof Ventilation System	635	870	234
Foundation Repairing/Home Reinforcement System	911	1,110	199
Others	1,699	1,681	(17)
Home Sanitation Division Total	4,611	5,495	883
Anti-rust equipment installation	240	433	192
Repair of building water-works	188	201	12
Water proofing of building	66	79	13
Others	188	191	2
Establishment Sanitation Division Total	685	905	220
Plastic fuel	3,672	4,105	432
Generation of electricity	4,878	6,342	1,464
Industrial waste (Organic Waste Water Recycle)	889	925	35
Final disposal	359	377	17
Others	349	349	(0)
Environmental Resources Development Division Total :	10,149	12,099	1,949
Total Net Sales	24,162	24,447	284