



## **SANIX INCORPORATED**

Summary of Consolidated Financial Statements  
For the Third Quarter Ended December 31, 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 Third Quarter ended December 31, 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 Third Quarter ended December 31, 2018 (April 1, 2018 to December 31, 2018)

### (1) Consolidated Operating Results

(In Millions of Yen)

	Third Quarter			
	From April 1 to December 31			
	FY2018	%change	FY2017	%change
Net Sales	37,037	1.3%	36,571	(0.2%)
Operating Income	978	26.5%	773	14.6%
Ordinary Income	938	68.2%	558	23.3%
Net Income	193	(43.5%)	341	562.7%
Net Income per Share (¥)	¥4.04	—	¥7.15	—
Net Income per Share, Diluted(¥)	—	—	—	—
(Note) Comprehensive Income	140	(66.7%)	421	—

### (2) Consolidated Financial Position

(In Millions of Yen)

	As of December 31		As of March 31
	FY2018		FY2017
Total Assets	29,865		29,938
Net Assets	4,216		4,076
Shareholders' Equity Ratio (%)	14.0%		13.5%
Net assets per share(¥)	¥87.51		¥84.54
(Reference) Equity Capital	4,183		4,041

## 2. Dividends

	End of Quarterly Period				
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Annual
	Quarter	Quarter	Quarter	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	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: None

#### \* 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	
	December 31,	March 31,
	2018	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.....	1,114,073	1,113,923
Average number of shares during the fiscal term.....	47,805,458	* 47,805,638

\* December 31, 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 Third Quarter ended December 31, 2018

### (1) Information of Consolidated Business Results

In the third quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 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 Iburi earthquake that occurred on September 6 during the first three quarters 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 three quarters 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 ¥37,037 million (up 1.3% 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 ¥978 million (up 26.5% year on year) and ordinary income was ¥938 million (up 68.2% year on year). Net income attributable to the owners of the parent company stood at ¥193 million (down 43.5% year on year) as a result of posting ¥427 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.

Operating results by segment for the first three quarters under review are 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), which resulted in a situation of backward shifts overall. As a result, net sales declined significantly to ¥9,664 million (down 24.8% 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 material costs, and the segment posted operating income of ¥513 million (down 61.9% 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 and recruitment for the purpose of expanding its business size. As a result, termite extermination increased 33.1% year on year, and underfloor/ceiling ventilation systems rose 40.4% year on year. Base repair/roof reinforcement construction increased 12.1%. As a result, the division's sales rose to ¥8,074 million (up 19.4% year on year).

Operating income stood at ¥1,704 million (up 54.5% 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 85.3% year on year as a result of increasing personnel through transfers and recruitment 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 ¥1,385 million (up 32.5% year on year).

Operating income rose to ¥196 million (up 50.4% 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**

Plastic fuel sales increased 12.9% year on year because the Division placed emphasis on the quality of plastic fuels and proceeded with careful examinations of accepted articles, and the acceptance volume also remained stable. Although the suspension of the Tomakomai Power Plant caused by the Hokkaido Eastern Iburi earthquake was the factor for a decrease

in revenue, electricity sales rose 14.2% year on year due to higher volume in the Power Producer and Supplier (PPS) business. As a result, net sales amounted to ¥17,913 million (up 12.6% year on year).

Operating income increased to ¥1,088 million (up 116.8% year on year) due to cost reductions through improved profitability by focusing on the quality of plastic fuels, as well as higher sales in the PPS business and the contribution of measures to stabilize power procurement costs, although the suspension of the Tomakomai Power Plant was the factor for a decrease in profit.

## **(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 third quarter under review amounted to ¥29,865 million, a decrease of ¥72 million from the end of the previous consolidated fiscal year, which was caused chiefly by a decrease in cash and deposits of ¥1,016 million and a decrease in notes and accounts receivable-trade of ¥214 million, despite an increase in merchandise and finished goods of ¥920 million and an increase in machinery, equipment and vehicles of ¥141 million.

Total liabilities stood at ¥25,649 million, a decline of ¥212 million from the end of the previous consolidated fiscal year, which was attributable largely to a decrease in notes and accounts payable-trade of ¥1,260 million, while short-term loans payable increased by ¥958 million. Net assets totaled ¥4,216 million, an increase of ¥139 million from the end of the previous consolidated fiscal year, mainly due to the posting of net income attributable to the owners of the parent company of ¥193 million.

Consequently, the shareholders' equity ratio at the end of the third quarter of the fiscal year under review came to 14.0%, 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**

The forecasts of consolidated business results for the current fiscal year ending March 31, 2019 have not changed from those announced on November 13, 2018.

## 2. Quarterly Consolidated Financial Statements and the Primary Notes for the Third Quarter ended December 31, 2018

### (1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of Mar. 31	As of Dec. 31
	FY2017	FY2018
Assets :		
Current Assets :		
Cash and deposits	5,482	4,466
Notes and accounts receivable-trade	5,485	5,270
Merchandise and finished goods	273	1,194
Work in process-construction	209	125
Raw materials and supplies	4,035	4,088
Other	797	910
Allowance for doubtful accounts	(525)	(340)
Total Current Assets	15,759	15,714
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	2,080	1,954
Machinery, Equipment and Vehicles(net of depreciation)	1,189	1,330
Land	7,811	7,811
Other (net of depreciation)	844	770
Total Property, Plant and Equipment	11,926	11,867
Intangible Fixed Assets :		
Goodwill	65	—
Other	148	238
Intangible Fixed Assets	214	238
Investments and Other Assets :	2,037	2,045
Total Fixed Assets	14,178	14,151
Total Assets	29,938	29,865



	(In Millions of Yen)	
	As of Mar. 31	As of Dec. 31
	FY2017	FY2018
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	5,079	3,818
Short-term loans payable	11,685	12,644
Current portion of long-term loans payable	140	132
Accounts payable	3,069	2,888
Accrued income taxes	409	209
Allowance for resource-recycling expenses	27	25
Allowance for disaster loss	-	357
Other	2,592	2,502
Total Current Liabilities	23,003	22,580
Non-Current Liabilities :		
Long-term loans payable	325	254
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	573	594
Liability related to retirement benefits	1,465	1,533
Other	483	676
Total Non-Current Liabilities	2,857	3,069
Total Liabilities	25,861	25,649
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(8,597)	(8,404)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	3,964	4,158
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	76	61
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	3	(35)
Adjustment for retirement benefits (cumulative)	(2)	(1)
Total Accumulated other comprehensive income	76	25
Non-controlling Interests	35	33
Total Net Assets	4,076	4,216
Total Liabilities and Assets	29,938	29,865

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(Quarterly Consolidated Statements of Income)**  
**(for Third Quarter of the fiscal year ending March 31, 2019)**

	(In Millions of Yen)	
	Third Quarter	
	From April 1 to December 31	
	FY2017	FY2018
Net sales	36,571	<b>37,037</b>
Cost of sales	26,151	<b>25,839</b>
Gross profit	10,420	<b>11,197</b>
Selling, general and administrative expenses	9,646	<b>10,219</b>
Operating income	773	<b>978</b>
Non-operating income :		
Interest income	11	<b>7</b>
Dividends income	2	<b>2</b>
Land and house rent revenue	47	<b>48</b>
Foreign exchange gains	-	<b>10</b>
Subsidy income	26	<b>8</b>
Compensation income	-	<b>70</b>
Other	50	<b>28</b>
Total non-operating income	137	<b>176</b>
Non-operating expenses :		
Interest expenses	161	<b>176</b>
Foreign exchange losses	23	-
Other	166	<b>39</b>
Total non-operating expenses	352	<b>216</b>
Ordinary income (loss)	558	<b>938</b>
Extra ordinary loss :		
Loss on disaster	-	<b>427</b>
Total extraordinary loss	-	<b>427</b>
Income (loss) before income taxes and minority interests	558	<b>511</b>
Income taxes-current	213	<b>322</b>
Income taxes-deferred	1	<b>(1)</b>
Total income taxes	214	<b>320</b>
Net Income (loss)	343	<b>191</b>
Net Income (loss) belonging to the non-controlling shareholders	1	<b>(1)</b>
Net income (loss) belonging to the shareholders of the parent company	341	<b>193</b>

**(Quarterly Consolidated Statements of Comprehensive Income)**  
**(for Third Quarter of the fiscal year ending March 31, 2019)**

	(In Millions of Yen)	
	Third Quarter	
	From April 1 to December 31	
	FY2017	FY2018
Net Income (loss)	343	<b>191</b>
Other comprehensive income :		
Valuation difference on available-for-sale securities	13	<b>(14)</b>
Deferred gains or losses on hedges	2	<b>0</b>
Foreign currency translation adjustment	51	<b>(38)</b>
Adjustment for retirement benefit adjustment	10	<b>1</b>
Total other comprehensive income	77	<b>(51)</b>
Comprehensive net income	421	<b>140</b>
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	419	<b>141</b>
Comprehensive income belonging to non-controlling shareholders	1	<b>(1)</b>

**(3) 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 third Quarter (From April 1, 2017 to December 31, 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	12,846	6,765	1,045	15,914	36,571	-	36,571
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	12,846	6,765	1,045	15,914	36,571	-	36,571
Operating income (loss)	1,347	1,103	130	502	3,083	(2,310)	773

(note 1)

Negative ¥2,310 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 Third Quarter (From April 1, 2018 to December 31, 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	9,664	8,074	1,385	17,913	37,037	-	37,037
Internal sales among segments and transfer accounts	-	-	-	-	-	-	-
Total	9,664	8,074	1,385	17,913	37,037	-	37,037
Operating income (loss)	513	1,704	196	1,088	3,502	(2,524)	978

(note 1)

Negative ¥2,524 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 December 31		Changes
	FY2017	FY2018	
Commercial PV system	11,858	<b>9,142</b>	(2,716)
Wholesale of PV components	816	<b>400</b>	(416)
Others	171	<b>121</b>	(49)
<b>Solar Engineering Division Total</b>	<b>12,846</b>	<b>9,664</b>	<b>(3,182)</b>
Termite Eradication Service	1,970	<b>2,623</b>	652
Under-Floor/Roof Ventilation System	946	<b>1,328</b>	382
Foundation Repairing/Home Reinforcement System	1,428	<b>1,600</b>	172
Others	2,419	<b>2,521</b>	102
<b>Home Sanitation Division Total</b>	<b>6,765</b>	<b>8,074</b>	<b>1,309</b>
Anti-rust equipment installation	360	<b>667</b>	307
Repair of building water-works	316	<b>326</b>	10
Water proofing of building	94	<b>114</b>	20
Others	274	<b>276</b>	2
<b>Establishment Sanitation Division Total</b>	<b>1,045</b>	<b>1,385</b>	<b>339</b>
Plastic fuel	5,712	<b>6,451</b>	738
Generation of electricity	7,830	<b>8,939</b>	1,109
Industrial waste (Organic Waste Water Recycle)	1,332	<b>1,413</b>	81
Final disposal	519	<b>595</b>	76
Others	518	<b>512</b>	(6)
<b>Environmental Resources Development Division Total :</b>	<b>15,914</b>	<b>17,913</b>	<b>1,999</b>
<b>Total Net Sales</b>	<b>36,571</b>	<b>37,037</b>	<b>465</b>