

Code 4651



for Energy, for Environment
 Photovoltaic Solution
 Total Sanitation
 Environmental Resources Development

Consolidated Financial Statements For the Third Quarter ended December 31,2018

3Q

February 14, 2019



for Energy, for Environment
 Photovoltaic Solution
 Total Sanitation
 Environmental Resources Development

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Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

changes in economic environment in Japan and abroad, business condition in Japanese manufacturing industry, competition with other manufacturers, changing technology, regulatory environment, new legislation and any other factors which are beyond our control.

In addition, this presentation is not intended to solicit investment to securities issued by us. We assume no responsibility for any losses and liabilities that may be incurred because of information contained in this material.

((Note))

- Numbers are rounded off to the nearest whole number.
- "()" in operating income, ordinary income and net income indicate operating loss, ordinary loss and net loss respectively.
- In case of negative or above 1,000%, margin is expressed by "%".



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1. Financial Results for FY2018 3Q

Consolidated Financial Results for FY2018 3Q



(Millions of Yen)

	FY2017	FY2018 3Quarters				
	3Quarters	Results	Y on Y	Difference	Plan	Diff. from Plan
Net Sales	36,571	37,037	101.3%	+ 465	36,815	+ 221
Gross Profit	10,420	11,197	107.5%	+ 777	10,911	+ 286
(Gross Profit Margin)	28.5%	30.2%			29.6%	
Operating Income	773	978	126.5%	+ 204	813	+ 164
(Operating Income Margin)	2.1%	2.6%			2.2%	
Ordinary Income	558	938	168.2%	+ 380	793	+ 144
(Ordinary Income Margin)	1.5%	2.5%			2.2%	
Profit attributable to owners of parent	341	193	56.5%	-148	151	+ 41
(Net Income Margin)	0.9%	0.5%			0.4%	

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 Ibari earthquake, as a loss caused by the disaster under extraordinary losses.

Results of each segment for FY2018 3Q								SANIX	
	FY2017 3Quarters		FY2018 3Quarters						
	Results	Prop.	Results	Prop.	Y on Y	Diff. from Plan	% for plan		
Net Sales	36,571		37,037		101.3%	+ 221			
SE Division	12,846	35.1%	9,664	26.1%	75.2%	+ 208	25.7%		
HS Division	6,765	18.5%	8,074	21.8%	119.4%	-154	22.4%		
ES Division	1,045	2.9%	1,385	3.7%	132.5%	+ 34	3.7%		
ERD Division	15,914	43.5%	17,913	48.4%	112.6%	+ 133	48.3%		
Gross Profit	10,420	28.5%	11,197	30.2%	107.5%	+ 286	29.6%		
SG & A	9,646	26.4%	10,219	27.6%	105.9%	+ 121	27.4%		
Operating Income	773	2.1%	978	2.6%	126.5%	+ 164	2.2%		
SE Division	1,347	<u>10.5%</u>	513	<u>5.3%</u>	38.1%	+ 3	<u>5.4%</u>		
HS Division	1,103	<u>16.3%</u>	1,704	<u>21.1%</u>	154.5%	-80	<u>21.7%</u>		
ES Division	130	<u>12.5%</u>	196	<u>14.2%</u>	150.4%	+ 10	<u>13.7%</u>		
ERD Division	502	<u>3.2%</u>	1,088	<u>6.1%</u>	216.8%	+ 281	<u>4.5%</u>		
Group	(2,310)	-	(2,524)	-	-	-50	-		

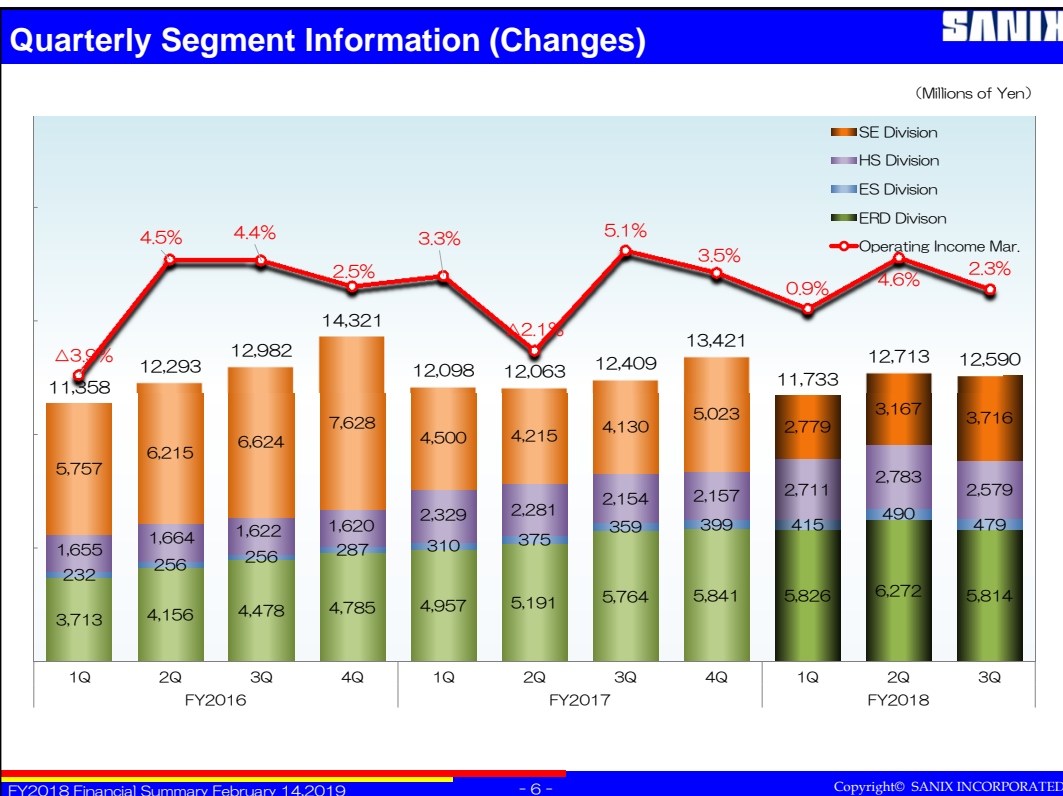
* The underlined percentage indicate Operating Margin of each segment.

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[Reference] Quarterly Segment Information for FY2018										SANIX	
	FY2017				FY2018 (Millions of Yen)						
	3Q		4Q		1Q		2Q		3Q		
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	
Net Sales	12,409		13,421		11,733		12,713		12,590		
SE Division	4,130	33.3%	5,023	37.4%	2,779	23.7%	3,167	24.9%	3,716	29.5%	
HS Division	2,154	17.4%	2,157	16.1%	2,711	23.1%	2,783	21.9%	2,579	20.5%	
ES Division	359	2.9%	399	3.0%	415	3.5%	490	3.9%	479	3.8%	
ERD Division	5,764	46.5%	5,841	43.5%	5,826	49.7%	6,272	49.3%	5,814	46.2%	
Gross Profit	3,735	30.1%	3,624	27.0%	3,540	30.2%	3,963	31.2%	3,694	29.3%	
SG & A	3,100	25.0%	3,151	23.5%	3,436	29.3%	3,378	26.6%	3,404	27.0%	
Operating Income	634	5.1%	473	3.5%	103	0.9%	584	4.6%	289	2.3%	
SE Division	409	<u>9.9%</u>	321	<u>6.4%</u>	(88)	-	143	<u>4.5%</u>	458	<u>12.3%</u>	
HS Division	353	<u>16.4%</u>	367	<u>17.1%</u>	580	<u>21.4%</u>	658	<u>23.6%</u>	466	<u>18.1%</u>	
ES Division	31	<u>8.9%</u>	49	<u>12.4%</u>	52	<u>12.6%</u>	76	<u>15.6%</u>	67	<u>14.1%</u>	
ERD Division	559	<u>9.7%</u>	470	<u>8.0%</u>	439	<u>7.5%</u>	522	<u>8.3%</u>	126	<u>2.2%</u>	
Group	(719)	-	(735)	-	(880)	-	(816)	-	(828)	-	

* The underlined percentage indicate Operating Margin of each segment.

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Segment Information for FY2018 3Q (SE Division)

(Millions of Yen)

	FY2017 3Quarters		FY2018 3Quarters				
	Results	Prop.	Results	Prop.	Yon Y	Plan	% for plan
Net Sales	12,846		9,664		75.2%	9,455	
Photovoltaic System							
Direct Sales	11,858	92.3%	9,142	94.6%	77.1%	8,962	94.8%
Wholesales	816	6.4%	400	4.1%	49.0%	382	4.0%
Others	171	1.3%	121	1.3%	70.9%	110	1.2%
Cost of Sales	8,551	66.6%	6,557	67.9%	76.7%	6,383	67.5%
Material costs ※	5,533	43.1%	4,016	41.6%	72.6%	4,070	43.0%
Labor costs	1,125	8.8%	772	8.0%	68.7%	752	8.0%
Gross Profit	4,294	33.4%	3,106	32.1%	72.3%	3,071	32.5%
SG & A	2,947	22.9%	2,593	26.8%	88.0%	2,562	27.1%
Personnel expenses	1,294	10.1%	1,275	13.2%	98.5%	1,272	13.5%
Other expenses	1,652	12.9%	1,318	13.6%	79.7%	1,289	13.6%
Operating Income	1,347	10.5%	513	5.3%	38.1%	509	5.4%

※ Material costs includes material costs and supply expenses.

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).

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[Reference] Quarterly Segment Information (SE Division)

(Millions of Yen)

	FY2017				FY2018					
	3 Q		4 Q		1 Q		2 Q		3 Q	
	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.	Results	Prop.
Net Sales	4,130		5,023		2,779		3,167		3,716	
Cost of Sales	2,813	68.1%	3,756	74.8%	2,018	72.6%	2,155	68.1%	2,383	64.1%
Material costs [*]	1,873	45.4%	^① 2,758	54.9%	1,246	44.8%	1,335	42.2%	1,434	38.6%
Labor costs	351	8.5%	308	6.1%	269	9.7%	253	8.0%	249	6.7%
Outsourcing costs	174	4.2%	301	6.0%	111	4.0%	187	5.9%	284	7.7%
Other costs	414	10.0%	387	7.7%	391	14.1%	378	11.9%	414	11.1%
Gross Profit	1,316	31.9%	1,267	25.2%	761	27.4%	1,011	31.9%	1,333	35.9%
SG & A	906	22.0%	946	18.8%	849	30.6%	868	27.4%	875	23.6%
Personnel expenses	424	10.3%	475	9.5%	415	14.9%	431	13.6%	428	11.5%
Other expenses	481	11.7%	471	9.4%	434	15.6%	436	13.8%	447	12.0%
Operating Income	409	9.9%	321	6.4%	(88)	—	143	4.5%	458	12.3%

^{*} Material costs includes material costs and supply expenses.

① In material costs in 4Q of FY2017, a ¥401 million loss on valuation of inventories was posted as a result of reviewing the valuation of inventories of in-house manufactured power conditioners. Excluding the effect of this valuation loss, the proportion of sales was 46.9%.

Segment Information for FY2018 3Q (HS Division)

(Millions of Yen)

	FY2017 3Quarters		FY2018 3Quarters				
	Results	Prop.	Results	Prop.	Y on Y	Plan	% for plan
Net Sales	6,765		8,074		119.4%	8,229	
Termite Eradication Service	1,970	29.1%	2,623	32.5%	133.1%	2,582	31.4%
Under-Roof/Roof Ventilation System	946	14.0%	1,328	16.5%	140.4%	1,290	15.7%
Foundation Repairing/ Home Reinforcement System	1,428	21.1%	1,600	19.8%	112.1%	1,761	21.4%
Others	2,419	35.8%	2,521	31.2%	104.2%	2,595	31.5%
Costs of Sales	3,039	44.9%	3,248	40.2%	106.9%	3,319	40.3%
Labor costs	903	13.4%	996	12.3%	110.3%	1,005	12.2%
Gross Profit	3,726	55.1%	4,826	59.8%	129.5%	4,910	59.7%
SG & A	2,622	38.8%	3,121	38.7%	119.0%	3,125	38.0%
Personnel expenses	1,660	24.5%	1,918	23.8%	115.6%	1,956	23.8%
Operating Income	1,103	16.3%	1,704	21.1%	154.5%	1,784	21.7%

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.

[Reference] Changes of Profitability of SE / HS Division

■ Changes of SE Division

	FY2017				FY2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Marginal Profit Ratio(%)	48.4	49.2	46.3	43.7	44.1	45.7	48.6
Average Monthly Fixed Cost (Million Yen per month)	578	525	499	488	437	434	449
Breakeven Sales Volume (Million Yen per month)	1,193	1,067	1,078	1,118	985	934	916

* The results of Marginal profit ratio for the 4^Q ended March 31, 2018 does not include the loss from inventory revaluation of ¥401 million that is included in material costs.

■ Changes of HS Division

	FY2017				FY2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Marginal Profit Ratio(%)	71.2	70.5	73.2	74.5	75.6	76.0	74.3
Average Monthly Fixed Cost (Million Yen per month)	399	412	403	407	489	485	483
Breakeven Sales Volume (Million Yen per month)	561	584	551	547	620	628	638

* A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, outsourcing costs.

* Breakeven Sales Volume...Fixed Cost / Marginal profit ratio

Segment Information for FY2018 3Q (ES Division)

	(Millions of Yen)						
	FY2017 3Quarters		FY2018 3Quarters				
	Results	Prop.	Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	1,045		1,385		132.5%	1,350	
Costs of Sales	551	52.8%	666	48.1%	120.7%	662	49.1%
Labor costs	133	12.8%	160	11.6%	120.1%	158	11.7%
Gross Profit	493	47.2%	718	51.9%	145.7%	688	50.9%
SG & A	362	34.7%	522	37.7%	144.0%	502	37.2%
Personnel expenses	226	21.6%	312	22.5%	138.0%	303	22.5%
Operating Income	130	12.5%	196	14.2%	150.4%	185	13.7%

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.

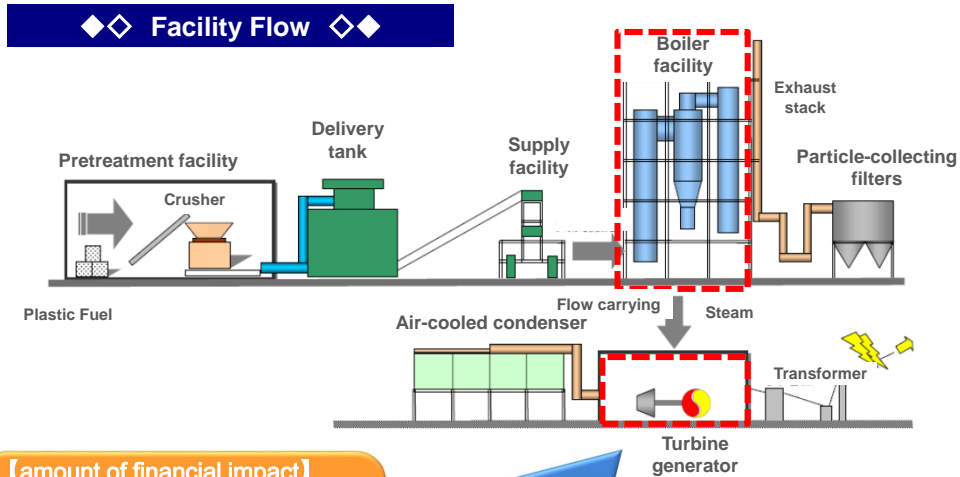
Segment Information for FY2018 3Q (ERD Division) **SANIX**

(Millions of Yen)

	FY2017 3Quarters		FY2018 3Quarters				
	Results	Prop.	Results	Prop.	Y on Y	Plan	% for Plan
Net Sales	15,914		17,913		112.6%	17,779	
Plastic Fuels	5,712	35.9%	6,451	36.0%	112.9%	6,236	35.1%
Power Generation	7,830	49.2%	8,939	49.9%	114.2%	9,054	50.9%
Organic Waste Water	1,332	8.4%	1,413	7.9%	106.1%	1,430	8.0%
Final Disposal	519	3.3%	595	3.3%	114.7%	540	3.0%
Others	518	3.3%	512	2.9%	98.7%	517	2.9%
Gross Profit	1,905	12.0%	2,545	14.2%	133.6%	2,241	12.6%
SG & A	1,403	8.8%	1,457	8.1%	103.8%	1,433	8.1%
Operating Income	502	3.2%	1,088	6.1%	216.8%	807	4.5%

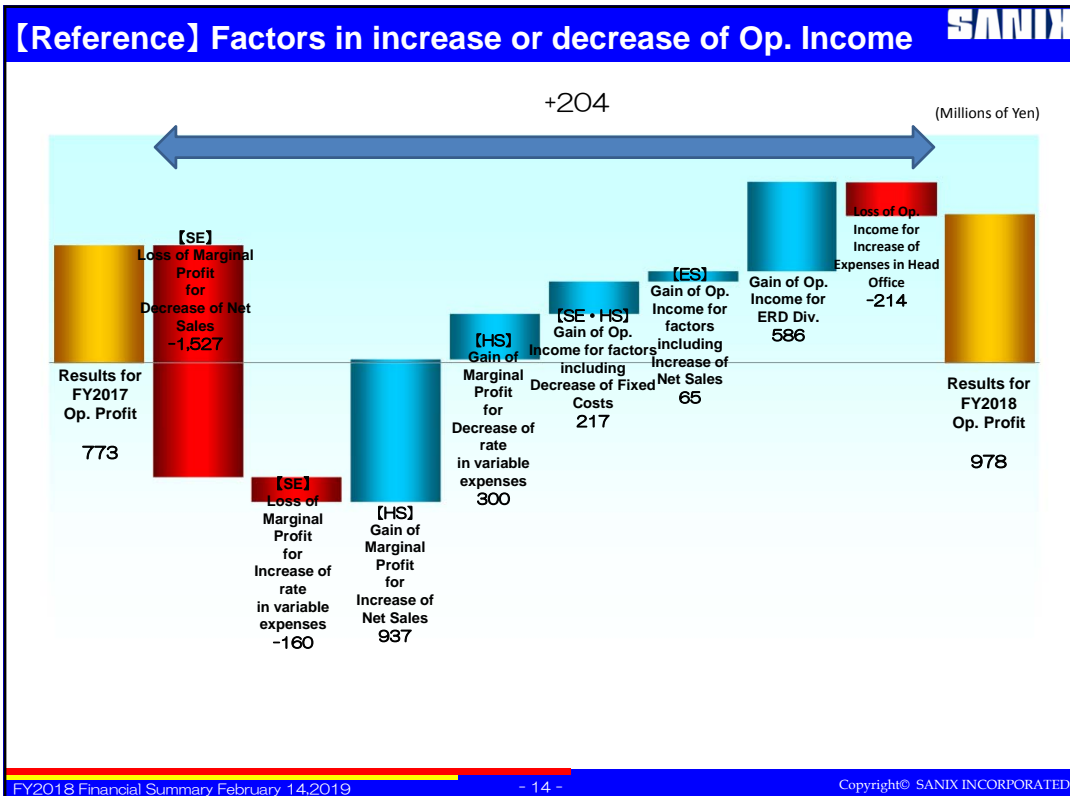
Plastic fuel sales increased 12.9% year on year because the Division placed emphasis on the quality of plastic fuels and proceeded with careful examinations of accepted articles, and the acceptance volume also remained stable. Although the suspension of the Tomakomai Power Plant caused by the Hokkaido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

Recovery status of the Tomakomai Power Plant **SANIX**



[amount of financial impact]
 Net Sales -11.9
 Operating Income -11.6
 Extraordinary Loss 4.2
 (Hundred million Yen)

During the suspension period, we conducted the statutory inspection of turbines and boilers ahead of schedule, which was originally scheduled for the fiscal year ending March 2020. It is scheduled to resume operations in March 2019 as planned.



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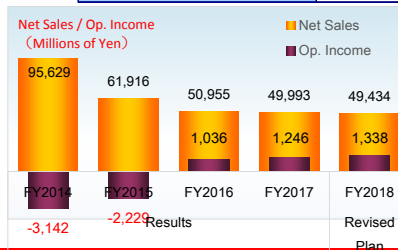
2. Forecast for FY2018

Consolidated Financial Forecast for FY2018

There is no change from the forecast announced on November 13, 2018

(Millions of Yen)

	FY2017	FY2018		
	Results	Plan	Y on Y	Difference
Net Sales	49,993	49,434	98.9%	-558
Gross Profit	14,044	14,735	104.9%	+ 690
(Gross Profit Margin)	28.1%	29.8%		
Operating Income	1,246	1,338	107.3%	+ 91
(Operating Income Margin)	2.5%	2.7%		
Ordinary Income	1,019	1,290	126.6%	+ 270
(Ordinary Income Margin)	2.0%	2.6%		
Profit attributable to owners of parent	1,180	534	45.3%	-645
(Net Income Margin)	2.4%	1.1%		



For the full fiscal year, sales are expected to decrease because the sales of the SE business declined due to market contraction and also the Tomakomai Power Plant cannot resume operations until early March 2019 due to the effects of the earthquake, although sales grew steadily in the HS and ES businesses.

In terms of profit, both operating income and ordinary income are likely to rise above the previous fiscal year, given the expansion of the profitable HS and ES businesses and cost reductions as a result of reviewing costs despite year-on-year decrease in sales. However, because expenses for restoring the original state of the Tomakomai Power Plant will be posted as an extraordinary loss of ¥427 million, a loss caused by the disaster under extraordinary losses, net income attributable to the owners of the parent company is expected to be below the previous fiscal year.

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【 Reference 】 Segment Forecasts for FY2018

There is no change from the forecast announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018					
	Full Year		3Quarters			Full Year		
	Results	Prop.	Results	Prop.	Progress	Revised Plan	Prop.	Diff. from Pre. Period
Net Sales	49,993		37,037		74.9%	49,434		-558
SE Division	17,870	35.7%	9,664	26.1%	73.0%	13,243	26.8%	-4,626
HS Division	8,922	17.8%	8,074	21.8%	73.8%	10,938	22.1%	2,015
ES Division	1,444	2.9%	1,385	3.7%	77.9%	1,778	3.6%	334
ERD Division	21,755	43.5%	17,913	48.4%	76.3%	23,473	47.5%	1,717
Gross Profit	14,044	28.1%	11,197	30.2%	76.0%	14,735	29.8%	690
SG & A	12,798	25.6%	10,219	27.6%	76.3%	13,397	27.1%	599
Operating Income	1,246	2.5%	978	2.6%	73.1%	1,338	2.7%	91
SE Division	1,668	<u>9.3%</u>	513	<u>5.3%</u>	45.8%	1,121	<u>8.5%</u>	-546
HS Division	1,471	<u>16.5%</u>	1,704	<u>21.1%</u>	75.3%	2,262	<u>20.7%</u>	791
ES Division	179	<u>12.5%</u>	196	<u>14.2%</u>	81.5%	240	<u>13.5%</u>	60
ERD Division	972	<u>4.5%</u>	1,088	<u>6.1%</u>	111.6%	975	<u>4.2%</u>	3
Group	(3,045)	—	(2,524)	—	77.4%	(3,262)	—	-217
Ordinary Income	1,019	2.0%	938	2.5%	72.8%	1,290	2.6%	270
Profit attributable to owners of parent	1,180	2.4%	193	0.5%	36.1%	534	1.1%	-645

* The underlined percentage indicate Operating Margin of each segment.

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Challenges and Progress for FY2018

Challenges

SE Division

- Establishment of an appropriate system for the market contraction
- Development of new sales methods (solar electric power with land and storage batteries, etc.)

HS Division

- Increase in staff numbers and the number of business sites
- Acquisition of new customers

ES Division

- Expansion and strengthening of alliances to increase referrals
- Enhancement of pest control

ERD Division

- Continuation of negotiations on unit prices for the collection of waste plastic
- Efficient operation of power stations and an improvement in fuel quality
- Expansion of users in the Power Producer and Suppliers (PPS) business

Head Office

- Building of systems for business improvements
- Cross-divisional cost reduction

Progress

- Cost reduction measures makes progress through the reduction of raw materials and the review of organizational structure and the personnel system to respond to the falling purchase prices of FIT.
- For the next fiscal year, a proposed purchase price (¥14/kWh) was announced, and sales activities have been carried out in parallel.

- Because mainstay products are achieving better results than the previous fiscal year, the level has been raised.
- Kurashiki Sales Office was opened in December (the fourth office in the current fiscal year). We increased the number of personnel by more than 70 from the end of the previous fiscal year to strengthen the structure.

- A significant result was produced in the sales expansion of anti-rust equipment, as in the previous fiscal year, as a result of strengthening customer management by increasing staff numbers.
- Alliances have been strengthened, and the number of alliance partners approximately quadrupled from two years ago, 1.3 times the number in the previous fiscal year. (As of December 2018)

- The Tomakomai Power Plant is recovering on schedule to resume operations in March 2019. We conducted the statutory inspection of turbines and boilers, which was to be conducted in the next fiscal year, ahead of schedule, in addition to the restoration to the original state.
- Careful examinations of accepted articles, with an emphasis on the quality of plastic fuels.

- The digitization of documents and the introduction of new systems to reduce costs, save labor and improve productivity in sales activities are expanding.

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Segment Forecasts for FY2018 (SE Division)

There is no change from the forecast announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018					
	Full Year		3Quarters			Full Year		
	Results	Prop.	Results	Prop.	Diff. from Pre. Period	Revised Plan	Prop.	Diff. from Pre. Period
Net Sales	17,870		9,664		73.0%	13,243		-4,626
Photovoltaic System								
Direct Sales	16,647	93.2%	9,142	94.6%	72.3%	12,642	95.5%	-4,004
Wholesales	1,026	5.7%	400	4.1%	84.8%	472	3.6%	-554
Others	196	1.1%	121	1.3%	94.7%	128	1.0%	-68
Cost of Sales	12,308	68.9%	6,557	67.9%	75.2%	8,723	65.9%	-3,584
Material costs ※	8,291	46.4%	4,016	41.6%	70.1%	5,729	43.3%	-2,562
Labor costs	1,433	8.0%	772	8.0%	79.4%	972	7.3%	-460
Gross Profit	5,562	31.1%	3,106	32.1%	68.7%	4,519	34.1%	-1,042
SG & A	3,893	21.8%	2,593	26.8%	76.3%	3,398	25.7%	-495
Personnel expenses	1,769	9.9%	1,275	13.2%	74.8%	1,704	12.9%	-65
Other expenses	2,124	11.9%	1,318	13.6%	77.8%	1,693	12.8%	-430
Operating Income	1,668	9.3%	513	5.3%	45.8%	1,121	8.5%	-546

※ Material costs includes material costs and supply expenses.

The SE Division expects sales to decrease significantly from the previous fiscal year due to the impact of the contraction of the solar electric power market. There were backward shifts in the commencement of construction due to a delay in the approval of the Feed-in-Tariff (FIT) business plan application. However, the delay is being resolved from the third quarter, and sales for the third quarter only are higher than the revised sales.

In terms of profit, operating income is expected to reach the target because the reduction of materials and other costs is making progress almost within expectations, in addition to the reduction of personnel expenses through the review of personnel replacements and other fixed costs.

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Segment Forecasts for FY2018 (HS Division)								
There is no change from the forecast announced on November 13, 2018								
(Millions of Yen)								
	FY2017		FY2018					
	Full Year		3 Quarters			Full Year		
	Results	Prop.	Results	Prop.	Diff. from Pre. Period	Revised Plan	Prop.	Diff. from Pre. Period
Net Sales	8,922		8,074		73.8%	10,938		+ 2,015
Termite Eradication Service	2,628	29.5%	2,623	32.5%	79.3%	3,309	30.3%	+ 680
Under-Roof/Roof Ventilation System	1,254	14.1%	1,328	16.5%	78.6%	1,691	15.5%	+ 436
Foundation Repairing/	1,957	21.9%	1,600	19.8%	66.9%	2,391	21.9%	+ 434
Others	3,081	34.5%	2,521	31.2%	71.1%	3,545	32.4%	+ 463
Costs of Sales	3,975	44.6%	3,248	40.2%	72.5%	4,480	41.0%	+ 504
Labor costs	1,213	13.6%	996	12.3%	74.1%	1,345	12.3%	+ 132
Gross Profit	4,947	55.4%	4,826	59.8%	74.7%	6,458	59.0%	+ 1,511
SG & A	3,475	39.0%	3,121	38.7%	74.4%	4,195	38.4%	+ 719
Personnel expenses	2,204	24.7%	1,918	23.8%	72.2%	2,656	24.3%	+ 452
Operating Income	1,471	16.5%	1,704	21.1%	75.3%	2,262	20.7%	+ 791

In the HS Division, sales remained strong due to an improvement in the management of existing customers by increasing personnel through transfer from the SE Division and mid-career recruitment. The Division expects sales to reach the target by strengthening the acquisition of new customers, although sales are slightly behind the revised plan. In terms of profit, although expenses are increasing due mainly to rises in personnel and sales, the Division expects profit to achieve the revised figure because the solid trend of higher sales is continuing.

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[Reference] Changes of Profitability of SE / HS Division						
■ Changes of SE Division						
	FY2017			FY2018		
	1st. Half	2nd. Half	Full Year	1st. Half Results	2nd. Half Rev. Plan	Full Year Rev. Plan
Marginal Profit Ratio (%)	48.8	44.9	46.8	44.9	48.4	46.9
Average Monthly Fixed Cost (Million Yen per month)	551	494	522	430	408	419
Breakeven Sales Volume (Million Yen per month)	1,130	1,101	1,117	958	844	901
* The results of Marginal profit ratio for the 4 ^Q ended March 31, 2018 does not include the loss from inventory revaluation of ¥401 million that is included in material costs.						
■ Changes of HS Division						
	FY2017			FY2018		
	1st. Half	2nd. Half	Full Year	1st. Half Results	2nd. Half Rev. Plan	Full Year Rev. Plan
Marginal Profit Ratio (%)	70.8	73.8	72.3	75.8	73.6	74.7
Average Monthly Fixed Cost (Million Yen per month)	405	405	405	473	489	481
Breakeven Sales Volume (Million Yen per month)	573	549	561	624	665	644
* A marginal profit ratio is shown as profit ratio which is subtracted variable cost such as material, outsourcing costs.						
* Breakeven Sales Volume...Fixed Cost / Marginal profit ratio						

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Segment Forecasts for FY2018 (ES Division)

There is no change from the forecast announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018					
	Full Year		3Quarters			Full Year		
	Results	Prop.	Results	Prop.	Diff. from Pre. Period	Revised Plan	Prop.	Diff. from Pre. Period
Net Sales	1,444		1,385		77.9%	1,778		+ 334
Costs of Sales	755	52.3%	666	48.1%	75.3%	884	49.7%	+ 129
Labor costs	180	12.5%	160	11.6%	76.9%	209	11.8%	+ 28
Gross Profit	689	47.7%	718	51.9%	80.4%	894	50.3%	+ 204
SG & A	509	35.3%	522	37.7%	80.0%	653	36.7%	+ 143
Personnel expenses	313	21.7%	312	22.5%	78.3%	398	22.4%	+ 84
Operating Income	179	12.5%	196	14.2%	81.5%	240	13.5%	+ 60

In the ES Division, sales remained strong, particularly in anti-rust equipment installation (brand name: Daelman Shock), due to the increase in staff numbers through the transfer from the SE Division and mid-career recruitment, strengthening alliance activities with management companies for buildings and condominiums, acquiring new customers and improving the post-sale service system for existing customers. The Division is expected to achieve the plan by continuing with the current efforts.

In terms of profit, the Division aims to step up profit by achieving the revised plan because a solid increase in sales is expected in the second half.

Segment Forecasts for FY2018 (ERD Division)

There is no change from the forecast announced on November 13, 2018

(Millions of Yen)

	FY2017		FY2018					
	Full Year		3Quarters			Full Year		
	Results	Prop.	Results	Prop.	Diff. from Pre. Period	Revised Plan	Prop.	Diff. from Pre. Period
Net Sales	21,755		17,913		76.3%	23,473		+ 1,717
Plastic Fuels	7,556	34.7%	6,451	36.0%	79.4%	8,122	34.6%	+ 566
Power Generation	11,095	51.0%	8,939	49.9%	73.9%	12,096	51.5%	+ 1,001
Organic Waste Wate	1,748	8.0%	1,413	7.9%	73.6%	1,920	8.2%	+ 172
Final Disposal	654	3.0%	595	3.3%	90.7%	657	2.8%	+ 2
Others	701	3.2%	512	2.9%	75.7%	676	2.9%	-24
Gross Profit	2,846	13.1%	2,545	14.2%	88.9%	2,863	12.2%	+ 17
SG & A	1,873	8.6%	1,457	8.1%	77.2%	1,887	8.0%	+ 14
Operating Income	972	4.5%	1,088	6.1%	111.6%	975	4.2%	+ 3

In the Environmental Resources Development Division, the Tomakomai Power Plant suspended its operations because of the effects of the earthquake that occurred in September 2018, but the restoration to the original state is progressing on schedule, and the Plant is expected to resume in early March 2019. The Division therefore expects to achieve the plan as revised at the end of the first half.

In terms of profit, the Division has not changed the revised plan announced in November because the Plant is scheduled to resume in March as planned, despite shifts in months concerning repair costs in statutory inspections, etc.

