



SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the First Quarter Ended June 30, 2019

[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, 2019

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, 2019 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results

(In Millions of Yen)

	First Quarter			
	From April 1 to June 30			
	FY2019	%change	FY2018	%change
Net Sales.....	11,603	(1.1%)	11,733	(3.0%)
Operating Income	623	499.7%	103	(73.8%)
Ordinary Income.....	600	287.8%	154	(47.2%)
Net Income	436	291.5%	111	(46.8%)
Net Income per Share (¥).....	¥9.12	—	¥2.33	—
Net Income per Share, Diluted(¥).....	—	—	—	—
(Note) Comprehensive Income	399	336.1%	91	(58.8%)

(2) Consolidated Financial Position

(In Millions of Yen)

	As of June 30	As of March 31
	FY2019	FY2018
Total Assets.....	30,003	31,009
Net Assets	4,593	4,193
Shareholders' Equity Ratio (%)	15.2%	13.4%
Net assets per share(¥).....	¥95.47	¥87.08
(Reference) Equity Capital.....	4,563	4,162

2. Dividends

	Quarterly Period				Annual
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
(Dividends per Share)					
FY2018 ended March 31, 2019.....	0.00	0.00	0.00	0.00	0.00
FY2019 ended March 31, 2020.....	0.00				
FY2019 ended March 31, 2020(Forecast).....		0.00	0.00	0.00	0.00

3. Forecasts for Consolidated Business Results (April 1, 2019 to March 31, 2020)

(In Millions of Yen)

	Fiscal Year 2019			
	From April 1 to March 31			
	First Half	%change	Full Year	%change
Net Sales.....	24,464	0.1%	50,900	0.4%
Operating Income	988	43.5%	1,910	55.9%
Ordinary Income.....	935	35.7%	1,810	53.0%
Net Income	745	283.7%	1,370	470.5%
Net Income per Share (¥).....	¥15.58		¥28.66	

* 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, 2019	March 31, 2019
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.....	1,114,173	1,114,173
Average number of shares during the fiscal term.....	47,805,223	* 47,805,473

* June 30, 2018

* 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, 2019

(1) Information of Consolidated Business Results

In the first quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019), the Japanese economy continued to follow a modest recovery path with consumer spending showing an upward trend, backed by a steady improvement in employment and income conditions on the back of favorable corporate earnings, despite the effect of a slowdown in overseas economies.

Under these circumstances, the Group made an organizational change, in which it set up the Energy Business Division and established a structure consisting of five business divisions, to expand the range of its businesses and worked to establish a stable earnings base in each business under the Medium-Term Management Plan (FY2019-FY2021), which puts priority on establishing a stable profit structure based on existing businesses and at the same time aims to achieve further growth by developing new businesses and services.

Sales increased in the HS Division and in the ES Division as a result of a review of the allocation of management resources, including human resources, to expand the business size in the previous Medium-Term Management Plan. Sales rose also in the Environment Resources Development Business Division, reflecting the thorough acceptance inspection of waste plastic articles. Meanwhile, sales declined in the SE Division due to a revision of sales prices of solar electric power systems associated with a FIT price cut. Sales fell also in the Energy Business Division, chiefly due to a decrease in high-voltage power supply destinations. As a result, net sales of the entire Group stood at ¥11,603 million (down 1.1% year on year).

Profit increased in the HS Division and in the Environment Resources Development Business Division, reflecting the increase in sales. Profit rose also in the SE Division, where sales dropped, due to cost cutting, particularly a reduction in materials cost. As a result, for the entire Group, operating income came to ¥623 million (up 499.7% year on year) and ordinary income was ¥600 million (up 287.8% year on year). Net income attributable to owners of the parent company stood at ¥436 million (up 291.5% year on year).

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

The reportable segments have changed, and from the first quarter under review, the Energy Business Division, which was part of the Environment Resources Development Business Division, is a separate segment. The year-on-year figures are based on figures in the new reportable segments.

a. SE (Solar Engineering) Division

Although declines in the solar market are gradually getting smaller, sales from solar electric power systems fell due to the effect of a sales price revision associated with a FIT price cut. As a result, net sales fell to ¥2,355 million (down 15.3% year on year).

Despite the significant effect of lower sales, the segment posted operating income of ¥20 million (an operating loss of ¥88 million in the same period of the previous fiscal year) due to cost cutting mainly through the transfer of staff to the HS Division and cuts in materials costs.

b. HS (Home Sanitation) Division

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 the size of its business. Termite extermination increased 10.8% year on year, and underfloor/ceiling ventilation systems rose 35.4% year on year. As a result, the division's sales rose to ¥2,948 million (up 8.7% year on year).

Operating income stood at ¥655 million (up 13.0% 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, including a rise in personnel expensed due to an increase in staff.

c. ES (Establishment Sanitation) Division

ES Division increased personnel through transfers and recruitment for the purpose of expanding its business size and strengthened its relationships with the owners of buildings and condominiums and partner companies, including management companies. Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 21.6% year on year, and sales of repair of building water-works rose 42.5% year on year. As a consequence, the division's net sales rose to ¥487 million (up 17.4% year on year).

Operating income fell to ¥40 million (down 22.5% year on year) due to an increase in costs such as a rise in personnel expenses associated with an increase in staff, which more than offset the effect of the increase in sales.

d. ERD (Environmental Resources Development) Division

Plastic fuel sales increased 15.3% year on year due to the thorough acceptance inspection of waste plastic articles although the acceptance volume declined. Organic waste water recycle sales rose 16.1% year on year, reflecting an increase in the acceptance volume. As a result, net sales amounted to ¥4,093 million (up 12.2% year on year).

Operating income stood at ¥867 million (up 150.4% year on year), chiefly reflecting thorough acceptance inspection in the waste plastic and organic waste water recycle businesses and a

reduction in costs through the examination of costs.

e. Energy Business Division

Net sales stood at ¥2,342 million yen (down 14.4% year on year), reflecting a decline in retail sales of electric power chiefly due to a fall in the number of high-voltage power contracts.

An operating loss of ¥41 million (operating income of ¥93 million in the same period of the previous fiscal year) was posted due to the significant effect of the decrease in net sales.

(2) Information of Consolidated Financial Position

Total assets as of the end of the first quarter under review amounted to ¥30,003 million, a decrease of ¥1,005 million from the end of the previous fiscal year, which was caused chiefly by a fall in cash and deposits of ¥528 million and a decrease in notes and accounts receivable-trade of ¥1,039 million yen. Total liabilities stood at ¥25,410 million, a decline of ¥1,405 million from the end of the previous fiscal year, which was attributable largely to decreases in notes and accounts payable-trade of ¥392 million, short-term loans payable of ¥843 million and accounts payable-other of ¥758 million. Net assets totaled ¥4,593 million, an increase of ¥399 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 ¥436 million.

Consequently, the capital-to-asset ratio for the first quarter of the fiscal year under review came to 15.2%, an increase from 13.4% 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, 2020, from the forecasts announced on May 14, 2019.

2. Quarterly Consolidated Financial Statements and the Primary Notes for the first quarter ended June 30, 2020

(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	5,238	4,709
Notes and accounts receivable-trade	6,010	4,970
Merchandise and finished goods	1,019	450
Work in process-construction	122	209
Raw materials and supplies	3,546	3,691
Other	975	1,027
Allowance for doubtful accounts	(299)	(287)
Total Current Assets	16,613	14,773
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,901	1,854
Machinery, Equipment and Vehicles(net of depreciation)	1,355	1,513
Land	7,811	7,828
Other, net	989	1,739
Total Property, Plant and Equipment	12,057	12,936
Intangible Fixed Assets	262	267
Investments and Other Assets :	2,074	2,026
Total Fixed Assets	14,395	15,230
Total Assets	31,009	30,003

	(In Millions of Yen)	
	As of March 31	As of June 30
	FY2017	FY2018
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	4,188	3,795
Short-term loans payable	12,297	11,454
Current portion of long-term loans payable	143	143
Accounts payable	3,930	3,172
Accrued income taxes	462	625
Provision for bonuses	4	94
Allowance for resource-recycling expenses	12	11
Other	2,488	2,666
Total Current Liabilities	23,529	21,964
Non-Current Liabilities :		
Long-term loans payable	210	177
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	603	607
Liability Related to Retirement Benefits	1,642	1,653
Other	819	998
Total Non-Current Liabilities	3,285	3,446
Total Liabilities	26,815	25,410
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(8,357)	(7,921)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	4,204	4,641
Valuation and translation adjustments :		
Valuation difference on available-for-sale securities	60	50
Foreign currency translation adjustment	(17)	(63)
Adjustment for Retirement Benefits (Cumulative)	(85)	(64)
Total Other comprehensive income	(42)	(77)
Non-controlling Interests	31	29
Total Net Assets	4,193	4,593
Total Liabilities and Assets	31,009	30,003

(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, 2020)

(In Millions of Yen)

	First Quarter	
	From April 1 to June 30	
	FY2017	FY2018
Net sales	11,733	11,603
Cost of sales	8,193	7,339
Gross profit	3,540	4,263
Selling, general and administrative expenses	3,436	3,640
Operating income (loss)	103	623
Non-operating income :		
Interest income	1	3
Dividends income	1	1
Land and house rent revenue	16	15
Foreign exchange gains	11	1
Subsidy income	0	-
Compensation income	70	-
Other	6	12
Total non-operating expenses	107	33
Non-operating expenses :		
Interest expenses	47	50
Other	8	5
Total non-operating expenses	56	56
Ordinary income (loss)	154	600
Income (loss) before income taxes and minority interests	154	600
Income taxes-current	88	136
Income taxes-deferred	(42)	29
Total income taxes	43	165
Net Income	111	434
Net Income (loss) attributable to the non-controlling shareholders	(0)	(1)
Net income (loss) attributable to the shareholders of the parent company	111	436

(Quarterly Consolidated Statements of Comprehensive Income)
(For the first quarter of the fiscal year ending March 31, 2020)

(In Millions of Yen)

	First Quarter	
	From April 1 to June 30	
	FY2017	FY2018
Income before minority interests	111	434
Other comprehensive income :		
Share of other comprehensive income of associates accounted for using equity method	(8)	(10)
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	(13)	(46)
Retirement benefit adjustment	0	21
Total other comprehensive income	<u>(19)</u>	<u>(34)</u>
Comprehensive net income	<u>91</u>	<u>399</u>
Comprehensive net income attributable to		
Comprehensive net income (loss) attributable to non-controlling shareholders	91	401
Comprehensive net income (loss) attributable to the shareholders of the parent company	<u>(0)</u>	<u>(1)</u>

(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, 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	Energy	Total		
Sales:								
Sales to customers								
Internal sales among segments	2,779	2,711	415	3,091	2,735	11,733	-	11,733
And transfer accounts	-	-	-	556	-	556	(556)	-
Total	2,779	2,711	415	3,647	2,735	12,289	(556)	11,733
Operating income	(88)	580	52	346	93	984	(880)	103

(note 1)

Negative ¥880 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, 2019 to June 30, 2019)**1. 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	Energy	Total		
Sales:								
Sales to customers								
Internal sales among segments	2,355	2,948	487	3,469	2,342	11,603	-	11,603
And transfer accounts	-	-	-	(624)	-	(624)	(624)	-
Total	2,355	2,948	487	4,093	2,342	12,227	(624)	11,603
Operating income (loss)	20	655	40	867	(41)	1,542	(919)	623

(note 1)

Negative ¥919 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.

2. Change in Reportable Segments

The reportable segments have been changed in association with an organizational change made on April 1, 2019. From the first quarter under review, the Power Producer and Supplier (PPS) business, which was included in the Environmental Resources Development (ERD) Division, and the energy business development department, which was established on April 1, 2019, are presented as the Energy Business Division. The segment information for the first quarter of the previous fiscal year is prepared based on the reportable segments after the organizational change.

3. Other

Consolidated Net Sales by Division

	From April 1 to June 30		(In Millions of Yen)
	FY2017	FY2018	Changes
Commercial PV system	2,602	2,262	(339)
Wholesale of PV components	114	61	(52)
Others	62	31	(31)
Solar Engineering Total	2,779	2,355	(424)
Termite Eradication Service	925	1,024	99
Under-Roof/Roof Ventilation System	411	557	145
Foundation Repairing/Home Reinforcement System	571	517	(54)
Others	803	848	45
Home Sanitation Division Total	2,711	2,948	236
Anti-rust equipment installation	206	250	44
Repair of building water-works	75	108	32
Water proofing of building	34	32	(2)
Others	98	96	(2)
Establishment Sanitation Division Total	415	487	72
Plastic fuel	2,052	2,367	315
Power Stations	817	868	50
Industrial waste (Organic Waste Water Recycle)	409	475	65
Final disposal	203	248	44
Others	164	134	(30)
Environmental Resources Development Division Total :	3,647	4,093	446
Electricity sales	2,735	2,338	(396)
Others	-	3	3
Energy Business Division Total:	2,735	2,342	(393)
Adjustment of inter-segment sales	(556)	(624)	(67)
Total Net Sales	11,733	11,603	(130)

(note)

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