



Code:4651

Consolidated Financial Statements For the First Quarter ended June 30,2019

SANIX INCORPORATED
August 8,2019

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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 “-”.

1. Financial Results for FY2019 1Q

Consolidated Financial Results for FY2019 1Q



(Millions of Yen)

	FY2018	FY2019				
	1Q Results	1Q Results	Y on Y	Difference	Plan	Diff. from Plan
Net Sales	11,733	11,603	98.9%	-130	11,738	-134
Gross Profit (Gross Profit Margin)	3,540 30.2%	4,263 36.7%	120.4%	+ 723	4,056 34.6%	+ 207
Operating Income (Operating Income Margin)	103 0.9%	623 5.4%	599.7%	+ 519	247 2.1%	+ 376
Ordinary Income (Ordinary Income Margin)	154 1.3%	600 5.2%	38.7%	+ 445	220 1.9%	+ 380
Profit attributable to owners of parents (Net Income Margin)	111 0.9%	436 3.8%	391.5%	+ 324	160 1.4%	+ 276

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).

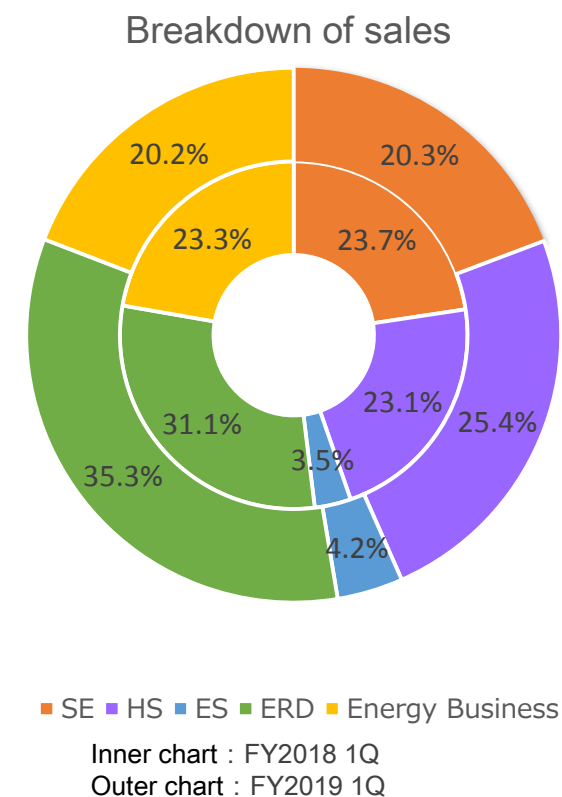
Profit increased in the HS Division and in the Environment Resources Development Business Division, reflecting the increase in sales. Profit rose also in the SE Division, where sales dropped, due to cost cutting, particularly a reduction in materials cost. As a result, for the entire Group, operating 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).

Results of Net Sales and Income of each segment FY2019 1Q



(Millions of Yen)

	FY2018	FY2019		
	1Q Results	1Q Results	Y on Y	Plan
Net Sales	11,733	11,603	98.9%	11,738
SE Division	2,779	2,355	84.7%	2,490
HS Division	2,711	2,948	108.7%	2,960
ES Division	415	487	117.4%	510
ERD Division	3,647	4,093	112.2%	3,988
Energy Business Division	2,735	2,342	85.6%	2,439
Adjustment of intersegment sales	(556)	(624)	-	(649)
Operating Income	103	623	599.7%	247
SE Division	(88)	20	-	5
HS Division	580	655	113.0%	654
ES Division	52	40	77.5%	25
ERD Division	346	867	250.4%	522
Energy Business Division	93	(41)	-	21
Group	(880)	(919)	-	(980)

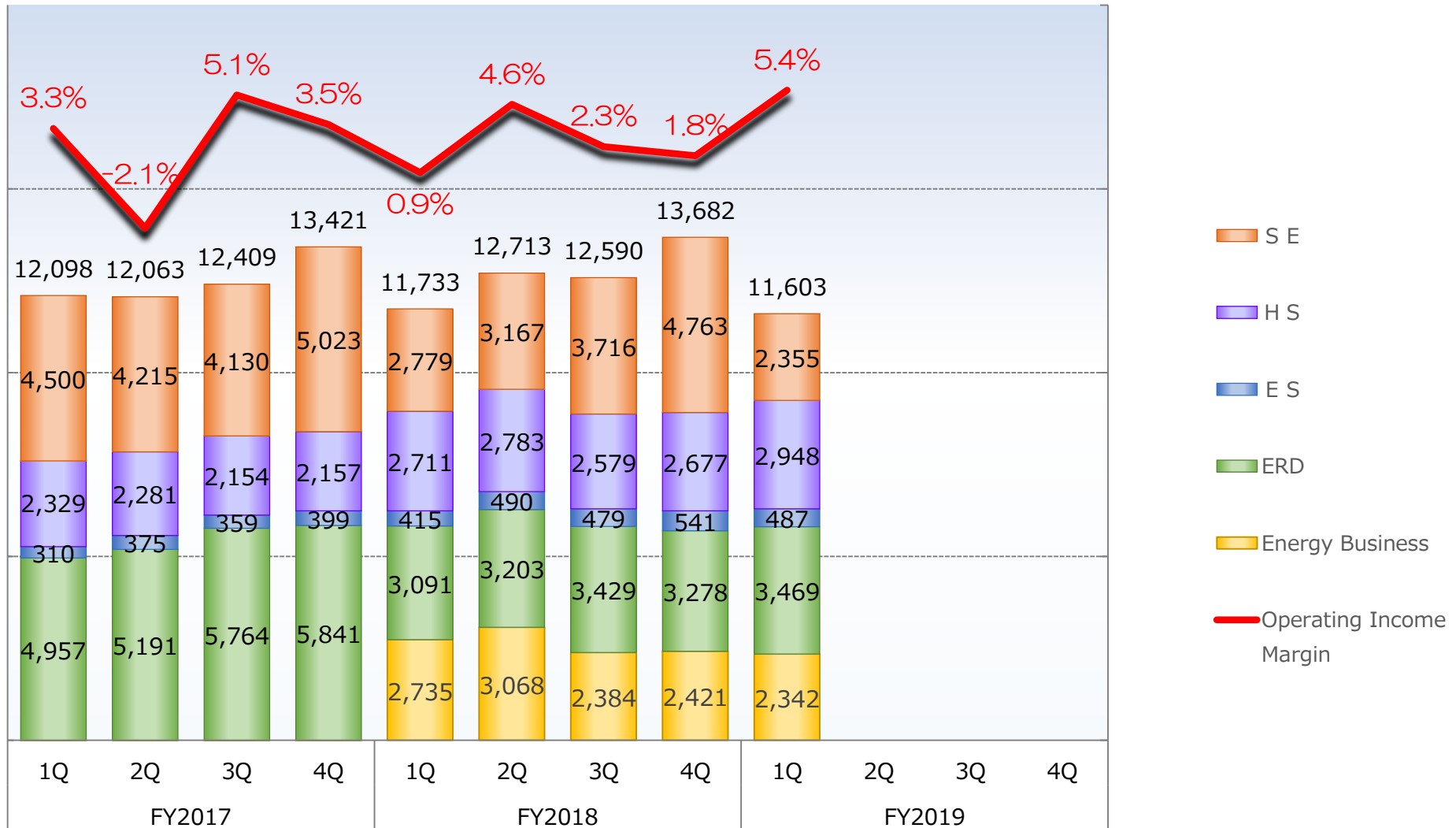


The figures in ERD Division, Energy Division, and Intersegment sales adjustment for the fiscal year ended March 2019 are based on the new reportable segments for comparison with the fiscal year ended March 2020.

【Reference】 Quarterly Segment Information(changes)



(Millions of Yen)



The intersegment sales adjustment is subtracted from the sales at ERD Div.

Segment Information for FY2019 1Q (SE Division)



(Millions of Yen)

	FY2018		FY2019				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	2,779		2,355		84.7%	2,490	
Direct Sales	2,602	93.6%	2,262	96.1%	87.0%	2,400	96.4%
Wholesales	114	4.1%	61	2.6%	53.8%	60	2.4%
Others	62	2.3%	31	1.3%	49.6%	29	1.2%
Cost of Sales	2,018	72.6%	1,541	65.4%	76.4%	1,581	63.5%
Material costs	1,246	44.8%	861	36.6%	69.1%	903	36.3%
Labor costs	269	9.7%	170	7.2%	63.1%	165	6.6%
Gross Profits	761	27.4%	814	34.6%	107.0%	909	36.5%
SG&A	849	30.6%	793	33.7%	93.4%	904	36.3%
Personnel expenses	415	14.9%	440	18.7%	106.2%	484	19.4%
Operating Income	(88)	-	20	0.9%	-	5	0.2%

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.

Segment Information for FY2019 1Q (HS Division)

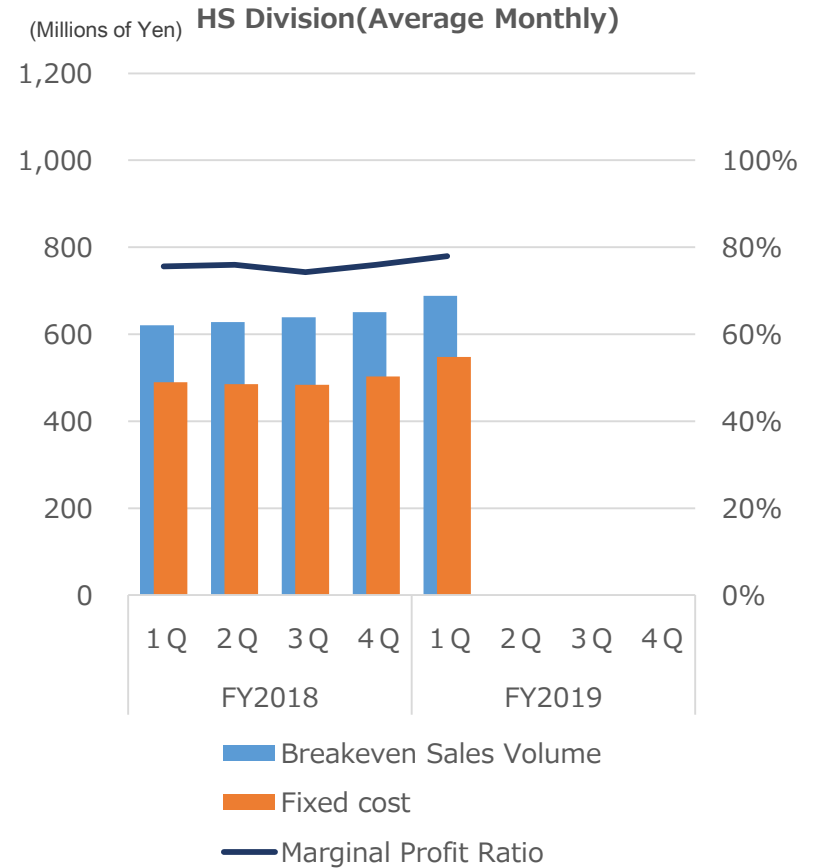
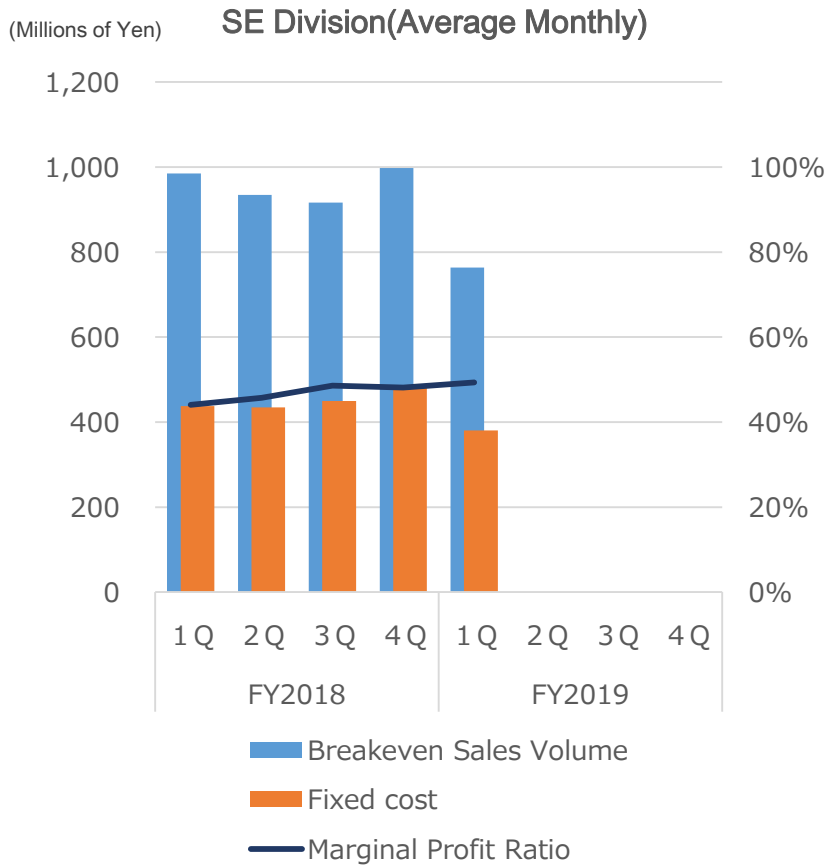
(Millions of Yen)

	FY2018		FY2019				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	2,711		2,948		108.7%	2,960	
Termite Eradication Service	925	34.1%	1,024	34.8%	110.8%	1,052	35.5%
Under-Roof/Roof Ventilation System	411	15.2%	557	18.9%	135.4%	435	14.7%
Foundation Repairing/ Home Reinforcement System	571	21.1%	517	17.5%	90.5%	607	20.5%
Others	803	29.6%	848	28.8%	105.7%	864	29.2%
Cost of Sales	1,074	39.6%	1,120	38.0%	104.3%	1,171	39.6%
Labor costs	325	12.0%	372	12.6%	114.6%	375	12.7%
Gross Profit	1,637	60.4%	1,828	62.0%	111.7%	1,789	60.4%
SG&A	1,057	39.0%	1,172	39.8%	110.9%	1,135	38.3%
Personnel expenses	647	23.9%	716	24.3%	110.6%	665	22.5%
Operating Income	580	21.4%	655	22.2%	113.0%	654	22.1%

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.

【Reference】 Changes of Profitability



A revaluation loss on inventory of ¥152 million is posted as materials cost in SE Division in 4Q of the fiscal period ended March 2019. In the chart above, the effect of the revaluation loss is excluded.

Segment Information for FY2019 1Q (ES Division)



(Millions of Yen)

	FY2018		FY2019				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	415		487		117.4%	510	
Cost of Sales	199	48.1%	234	48.1%	117.3%	255	50.0%
Labor costs	51	12.4%	60	12.5%	117.7%	60	11.8%
Gross Profit	215	51.9%	253	51.9%	117.5%	255	50.0%
SG&A	162	39.2%	212	43.6%	130.4%	230	45.1%
Personnel expenses	100	24.1%	130	26.7%	130.2%	143	28.2%
Operating Income	52	12.6%	40	8.3%	77.5%	25	4.9%

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.

Segment Information for FY2019 1Q (ERD Division)



	FY2018		FY2019				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	3,647		4,093		112.2%	3,988	
Plastic Fuels	2,052	56.3%	2,367	57.8%	115.3%	2,291	57.5%
Power Stations	817	22.4%	868	21.2%	106.2%	930	23.3%
Organic Waste Water	409	11.2%	475	11.6%	116.1%	460	11.5%
Final Disposal	203	5.6%	248	6.1%	122.1%	158	4.0%
Others	164	4.5%	134	3.3%	81.7%	148	3.7%
Cost of Sales	2,859	78.4%	2,764	67.5%	96.7%	3,001	75.3%
Labor costs	398	10.9%	455	11.1%	114.4%	453	11.4%
Gross Profit	788	21.6%	1,329	32.5%	168.6%	987	24.7%
SG&A	441	12.1%	461	11.3%	104.5%	465	11.7%
Personnel expenses	217	6.0%	257	6.3%	118.5%	254	6.4%
Operating Income	346	9.5%	867	21.2%	250.4%	522	13.1%

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.

Segment Information for FY2019 1Q (Energy Business Division)



(Millions of Yen)

	FY2018		FY2019				
	1Q Results	Prop.	1Q Results	Prop.	Y on Y	Plan	% of Plan
Net Sales	2,735		2,342		85.6%	2,439	
Cost of Sales	2,597	95.0%	2,303	98.3%	88.7%	2,323	95.2%
Material costs	2,399	87.7%	2,206	94.2%	91.9%	2,230	91.4%
Gross Profit	138	5.0%	38	1.7%	28.1%	116	4.8%
SG&A	44	1.6%	80	3.4%	180.6%	95	3.9%
Personnel expenses	23	0.9%	46	2.0%	196.0%	52	2.2%
Operating Income	93	3.4%	(41)	—	—	21	0.9%

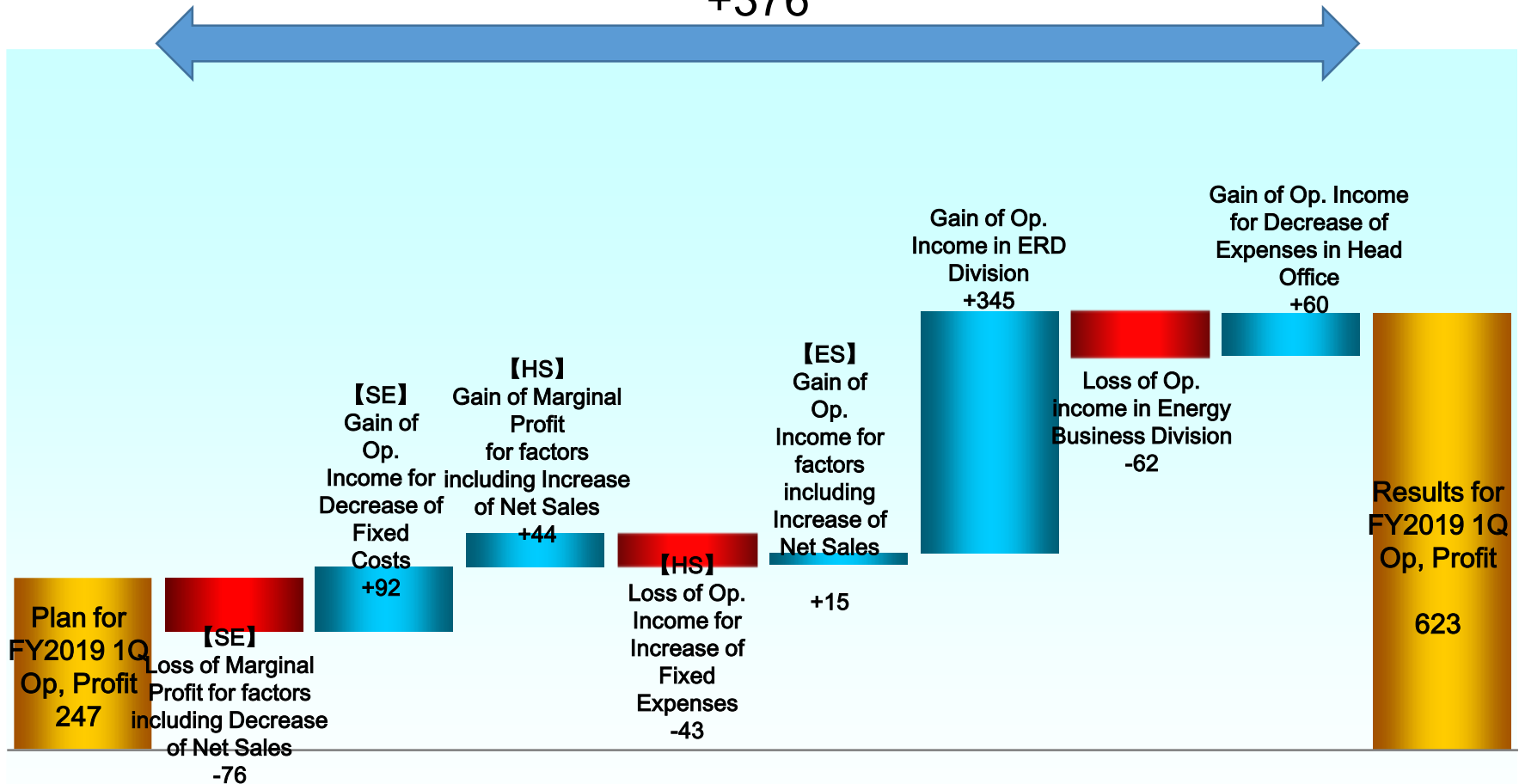
Net sales stood at ¥2,342 million yen (down 14.4% year on year), reflecting a decline in retail sales of electric power chiefly due to a fall in the number of high-voltage power contracts.

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.

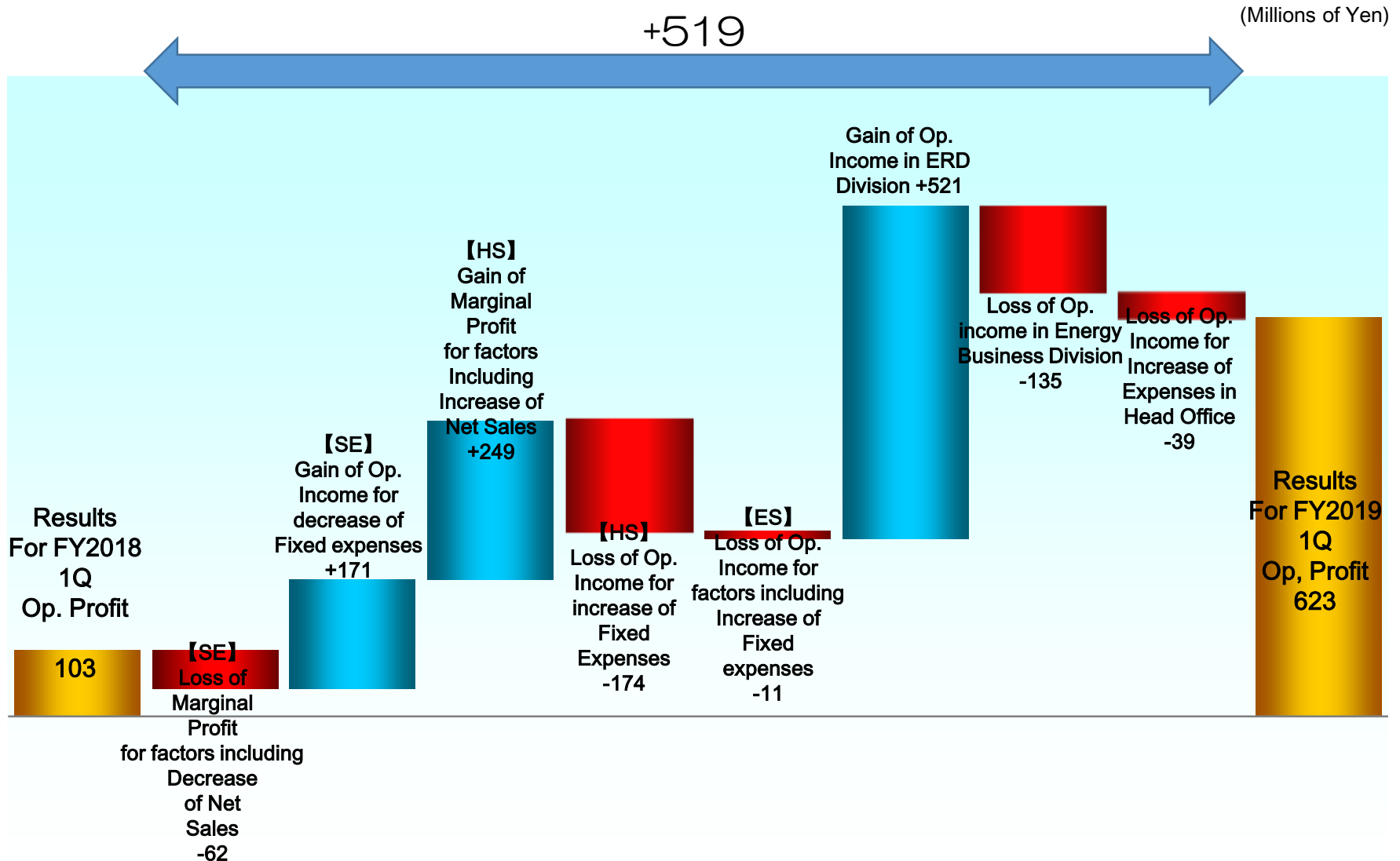
Factors in increase or decrease from the plan of Operating Income

+376

(Millions of Yen)



Factors in increase or decrease from the Pre. period of Operating Income



2. Forecast for FY2019

Consolidated Financial Forecast for FY2019



There is no change from the forecast announced on May 14, 2019

(Millions of Yen)

	FY2019					
	First Half		Second Half		Whole Year	
	Plan	Difference	Plan	Difference	Plan	Difference
Net Sales	24,464	+ 16	26,436	+ 163	50,900	+ 180
Gross Profit	8,559	+ 1,055	8,651	+ 1,324	17,210	+ 2,379
Gross Profit Margin	35.0%		32.7%		33.8%	
Operating Income	988	+ 299	922	+ 385	1,910	+ 685
Operating Income Margin	4.0%		3.5%		3.8%	
Ordinary Income	935	+ 245	875	+ 381	1,810	+ 627
Operating Income Margin	3.8%		3.3%		3.6%	
Profit attributable to owners of parent	745	+ 550	625	+ 579	1,370	+ 1,129
Net Income Margin	3.0%		2.4%		2.7%	

The Group prepared the new “Medium-Term Management Plan (FY2019 – FY2021).” While maintaining sustainable and stable management, it is determined to further reinforce/expand the existing bases for sustainable growth by getting the new initiative on track.

For the consolidated fiscal year ending March 31, 2020, the SANIX Group aims to achieve sales of ¥50,900 million (up 0.4% year on year) with operating income of ¥1,910 million (up 55.9%), ordinary income of ¥1,810 million (up 53.0%) and net income attributable to owners of the parent of ¥1,370 million (up 470.5%).

【Reference】 Progress for FY2019

SANIX

(Millions of Yen)

	FY2018	FY2019			
	Results	1Q Results	Progress rate	Plan(Whole year)	Difference
Net Sales	50,719	11,603	22.8%	50,900	+ 180
SE Division	14,427	2,355	20.3%	11,584	-2,843
HS Division	10,752	2,948	25.3%	11,660	+ 907
ES Division	1,926	487	20.7%	2,350	+ 423
ERD Division	14,116	4,093	26.0%	15,775	+ 1,658
Energy Business Division	10,609	2,342	19.6%	11,957	+ 1,347
Adjustment of inter-segment sales	(1,113)	(624)	—	(2,426)	-1,313
Operating Income	1,224	623	32.6%	1,910	+ 685
SE Division	1,204	20	2.7%	785	-419
HS Division	2,231	655	30.0%	2,189	-42
ES Division	287	40	15.4%	263	-24
ERD Division	423	867	48.4%	1,791	+ 1,367
Energy Business Division	412	(41)	—	462	+ 49
Group	(3,335)	(919)	—	(3,580)	-244

The figures in ERD Division, Energy Division, and Intersegment sales adjustment for the fiscal year ended March 2019 are based on the new reportable segments for comparison with the fiscal year ended March 2020.

Segment Forecasts for FY2019 (SE Division)



There is no change from the forecast announced on May 14, 2019

(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	5,280		- 667	6,304		- 2,176	11,584		- 2,843
Direct Sales	5,100	96.6%	- 463	6,150	97.6%	- 1,946	11,250	97.1%	- 2,410
Wholesales	120	2.3%	- 168	120	1.9%	- 169	240	2.1%	- 338
Others	59	1.1%	- 34	33	0.5%	- 59	93	0.8%	- 94
Cost of Sales	3,296	62.4%	- 878	3,789	60.1%	- 1,776	7,085	61.2%	- 2,655
Material costs	1,963	37.2%	- 618	2,480	39.4%	- 915	4,444	38.4%	- 1,534
Labor costs	327	6.2%	- 196	292	4.6%	- 203	619	5.3%	- 399
Gross Profit	1,984	37.6%	+ 211	2,515	39.9%	- 399	4,499	38.8%	- 188
SG&A	1,813	34.3%	+ 95	1,901	30.2%	+ 135	3,714	32.1%	+ 231
Personnel expenses	972	18.4%	+ 125	1,054	16.7%	+ 177	2,027	17.5%	+ 303
Operating Income	171	3.2%	+ 115	614	9.7%	- 535	785	6.8%	- 419

The SE Division expects lower revenue due to a system sales price revision associated with a FIT price cut (¥14/kWh in FY2019). The division will focus on maintenance work associated with incidental facilities and sales of solar power generation equipment with land.

As for profit, cost reduction of materials will be advanced in addition to the reduction in personnel costs and other fixed expenses by reviewing personnel allocation. However, that will be insufficient to compensate for the impact of lower revenue and a sharp decline in net income is expected.

Segment Forecasts for FY2019 (HS Division)



There is no change from the forecast announced on May 14, 2019

(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	5,952		+ 456	5,708		+ 450	11,660		+ 907
Termite Eradication Service	2,080	34.9%	+ 248	1,716	30.1%	+ 105	3,796	32.6%	+ 354
Under-Roof/Roof Ventilation System	922	15.5%	+ 51	1,035	18.1%	+ 107	1,958	16.8%	+ 159
Foundation Repairing/Home Reinforcement System	1,178	19.8%	+ 68	1,225	21.5%	+ 209	2,404	20.6%	+ 277
Others	1,770	29.7%	+ 88	1,730	30.3%	+ 27	3,500	30.0%	+ 115
Cost of Sales	2,387	40.1%	+ 219	2,408	42.2%	+ 194	4,795	41.1%	+ 414
Labor costs	780	13.1%	+ 114	845	14.8%	+ 137	1,625	13.9%	+ 251
Gross Profit	3,565	59.9%	+ 237	3,300	57.8%	+ 255	6,865	58.9%	+ 493
SG&A	2,305	38.7%	+ 215	2,371	41.5%	+ 320	4,676	40.1%	+ 536
Personnel expenses	1,365	22.9%	+ 79	1,521	26.7%	+ 267	2,887	24.8%	+ 347
Operating Income	1,260	21.2%	+ 21	929	16.3%	- 64	2,189	18.8%	- 42

The business base of the HS Division will be reinforced by further developing new customers and expanding the aftersales structure for existing customers. To that end, the Division will strive to increase new customers and the number of customers through an increase in personnel by hiring and opening stores.

As for profit, expenses for cultivating additional personnel will be added before they make contribution, and profit is expected to fall slightly.

Segment Forecasts for FY2019 (ES Division)



There is no change from the forecast announced on May 14, 2019

(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	1,145		+ 239	1,205		+ 183	2,350		+ 423
Cost fo Sales	556	48.6%	+ 122	576	47.8%	+ 75	1,132	48.2%	+ 198
Labor costs	122	10.7%	+ 16	126	10.5%	+ 15	248	10.6%	+ 32
Gross Profit	589	51.4%	+ 116	629	52.2%	+ 108	1,218	51.8%	+ 224
SG&A	474	41.4%	+ 130	481	39.9%	+ 118	955	40.6%	+ 248
Personnel expenses	299	26.1%	+ 94	326	27.1%	+ 112	625	26.6%	+ 206
Operating Income	115	10.0%	- 13	148	12.3%	- 10	263	11.2%	- 24

The ES Division will increase opportunities for developing partner companies, including the management company, referral through a close follow-up on partner companies, direct negotiations with property owners, and expand sales channels of the mainstay product anti-rust equipment installation (Daelman Shock).

Meanwhile expenses for cultivating additional personnel will be added before they make contribution, and profit is expected to fall slightly.

Segment Information for FY2019 (ERD Division)



There is no change from the forecast announced on May 14, 2019

(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	7,956		+ 680	7,819		+ 978	15,775		+ 1,658
Plastic Fuels	4,510	56.7%	+ 405	4,578	58.6%	+ 69	9,089	57.6%	+ 474
Power stations	1,922	24.2%	+ 403	1,733	22.2%	+ 1,144	3,655	23.2%	+ 1,547
Organic Waste Water	929	11.7%	+ 3	977	12.5%	- 56	1,906	12.1%	- 52
Final Disposal	303	3.8%	- 74	255	3.3%	- 156	558	3.5%	- 230
Others	291	3.7%	- 57	275	3.5%	- 22	566	3.6%	- 80
Cost of Sales	5,904	74.2%	+ 215	6,227	79.6%	- 40	12,130	76.9%	+ 175
Labor costs	898	11.3%	+ 100	902	11.5%	+ 68	1,800	11.4%	+ 169
Gross Profit	2,052	25.8%	+ 464	1,592	20.4%	+ 1,018	3,644	23.1%	+ 1,483
SG&A	924	11.6%	+ 45	929	11.9%	+ 70	1,853	11.7%	+ 116
Personnel expenses	499	6.3%	+ 60	495	6.3%	+ 36	994	6.3%	+ 96
Operating Income	1,128	14.2%	+ 419	663	8.5%	+ 947	1,791	11.4%	+ 1,367

The Environmental Resources Development Business will proceed with the careful examination of accepted articles to enhance the quality of plastic fuels and improve its profit margin and efficiency. As the appropriate disposal of waste plastics is required due to the related marine pollution, the Division will achieve stable operation of the Tomakomai Power Plant so that the recycling resources-type business of the Company will play a part.

The Division expects to see a sharp increase in profit compared to the previous year due to the stable operation of power plants and operation with a focus on profitability. A regular inspection (for about a month) is planned at the Tomakomai Power Plant in the second half.

Segment Forecasts for FY2019 (Energy Business Division)



There is no change from the forecast announced on May 14, 2019

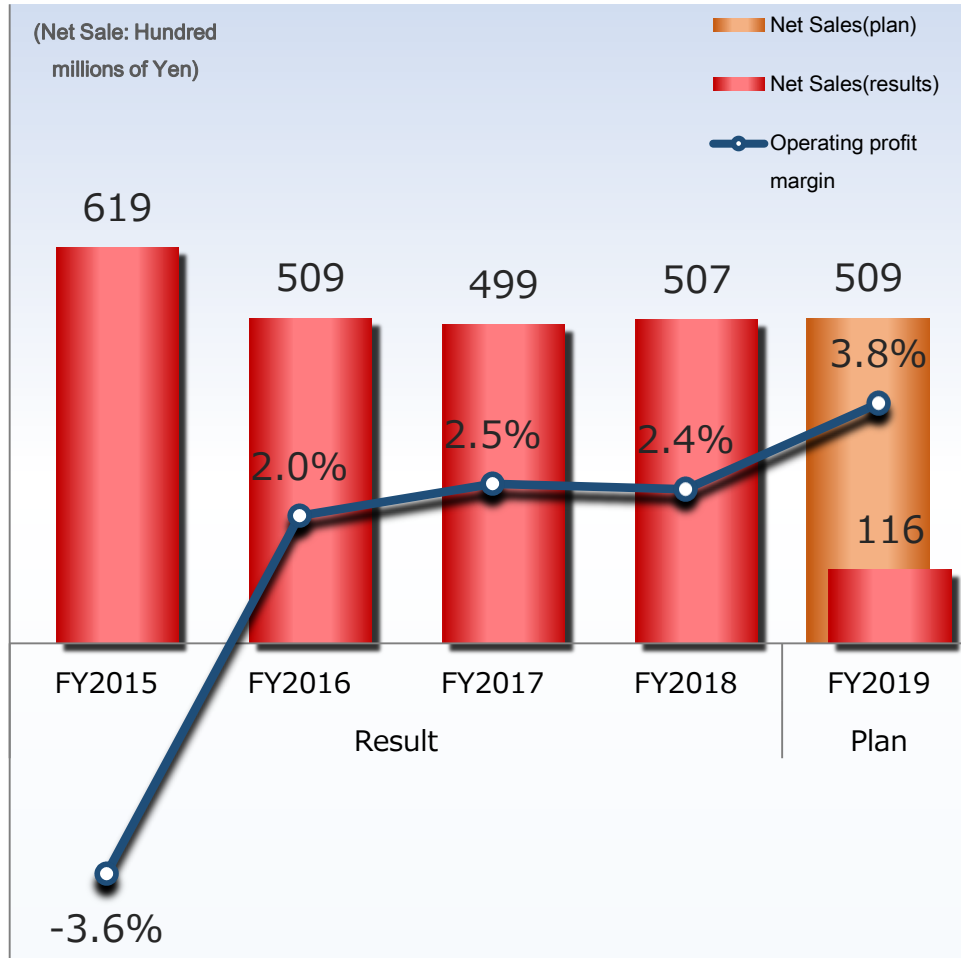
(Millions of Yen)

	First Half			Second Half			Whole Year		
	Plan	Prop.	Difference	Plan	Prop.	Difference	Plan	Prop.	Difference
Net Sales	5,465		- 339	6,492		+ 1,686	11,957		+ 1,347
Costs of Sales	5,096	93.2%	- 365	5,877	90.5%	+ 1,345	10,973	91.8%	+ 980
Labor costs	4,852	88.8%	- 220	5,495	84.6%	+ 1,241	10,347	86.5%	+ 1,021
Gross Profit	369	6.8%	+ 26	615	9.5%	+ 341	984	8.2%	+ 367
SG&A	227	4.2%	+ 137	295	4.5%	+ 180	522	4.4%	+ 317
Personnel expenses	128	2.4%	+ 79	182	2.8%	+ 123	311	2.6%	+ 203
Operating Income	142	2.6%	- 111	320	4.9%	+ 160	462	3.9%	+ 49

The Energy Business will strive to increase the number of retailing contracts for Power Producer and Supplier business through business alliances. Also, it will focus on the development of a solar power generation model established by a third-party (PPA) working with other companies.

As for profit, the Division expects to see an increase in profit due to higher net sales, although expenses are on the rise because of the reinforcement of the structure of Power Producer and Supplier business and the personnel increase to develop PPA.

There is no change from the forecast announced on May 14, 2019



Forecasts for FY2019

Net Sales : ¥ 50,900 million
Op. Income : ¥1,910 million
Op. Income Mar : 3.8%