



SANIX INCORPORATED

Summary of Consolidated Financial Statements

For the First Half Ended September 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 Half ended September 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 Half ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results

(In Millions of Yen)

	First Half			
	From April 1 to September 30			
	FY2019	%change	FY2018	%change
Net Sales	24,538	0.4%	24,447	1.2%
Operating Income	1,551	125.4%	688	396.6%
Ordinary Income	1,429	107.4%	688	—
Net Income	1,140	487.2%	194	—
Net Income per Share (¥)	¥23.85	—	¥4.06	—
Net Income per Share, Diluted(¥)	—	—	—	—
(Note) Comprehensive Income	1,084	—	173	—

(2) Consolidated Financial Position

(In Millions of Yen)

	As of September 30		As of March 31	
	FY2019		FY2018	
Total Assets	30,108		31,009	
Net Assets	5,278		4,193	
Shareholders' Equity Ratio (%)	17.4%		13.4%	
Net assets per share(¥)	¥109.84		¥87.08	
(Reference) Equity Capital	5,250		4,162	

2. Dividends

	End of Quarterly Period				
	1 st	2 nd	3 rd	4 th	Annual
	Quarter	Quarter	Quarter	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	0.00			
FY2019 ended March 31, 2020(¥) (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, 2019 to March 31, 2020)

(In Millions of Yen)

	Fiscal Year 2018	
	Full Year	%change
Net Sales.....	50,131	(1.2%)
Operating Income	2,248	83.6%
Ordinary Income.....	2,079	75.8%
Net Income	1,579	557.7%
Net Income per Share (¥).....	¥33.04	

(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,	March 31,
	2019	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.....	1,114,253	1,114,173
Average number of shares during the fiscal term.....	47,805,212	* 47,805,473

* September 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 Half ended September 30, 2019

(1) Information of Consolidated Business Results

In the first half of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019), the Japanese economy continued to follow a modest recovery path with a steady improvement in employment and income conditions and consumer spending showing an upward trend 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 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 also rose 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 also fell in the Energy Business Division, chiefly due to a decrease in the recipients of high-voltage power supply. As a result, the net sales of the entire Group stood at ¥24,538 million (up 0.4% year on year).

Profit increased in the ES Division and in the Environment Resources Development Business Division, reflecting the increase in sales. Profit also rose in the SE Division, despite a fall in sales. This was thanks to cost reductions, particularly of materials. As a result, for the entire Group, operating income came to ¥1,551 million (up 125.4% year on year) and ordinary income was ¥1,429 million (up 107.4% year on year). Net income attributable to owners of the parent company stood at ¥1,140 million (up 487.2% year on year).

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

a. SE (Solar Engineering) Division

Although the degree of decline in the solar market is gradually becoming smaller, sales from solar electric power systems fell, due primarily to the effect of a sales price revision associated with the FIT price cut. As a result, net sales fell to ¥5,606 million (down 5.7% year on year).

Despite the fall in sales, the segment posted operating income of ¥298 million (up 439.4% year on year) primarily due to cost cutting, mainly through the transfer of staff to the HS Division and a further decrease in the cost of materials.

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 the size of its business. Termite extermination increased 8.7% year on year, and underfloor/ceiling ventilation systems rose 36.3% year on year. As a result, the division's sales rose to ¥5,884 million (up 7.1% year on year).

Operating income stood at ¥1,235 million (down 0.3% year on year) after an increase in expenses such as labor caused by the addition of personnel was offset by sales growth.

c. ES (Establishment Sanitation) Division

The 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 27.9% year on year, and sales of building waterproof paint repair rose 79.8% year on year.

As a consequence, the division's net sales rose ¥1,102 million (up 21.7% year on year). Operating income climbed to ¥137 million (up 6.8% year on year) thanks to growth in sales that more than offset an increase in expenses such as labor due to the addition of personnel.

d. Environmental Resources Development (ERD) Division

Plastic fuel sales increased 14.6% year on year due to the thorough acceptance inspection of waste plastic articles, despite a decrease in the volume of waste plastics received. As a result, net sales rose to ¥8,045 million (up 10.6% year on year).

Operating income stood at ¥1,655 million (up 133.5% year on year), chiefly reflecting thorough acceptance inspection in the waste plastic and organic wastewater recycling businesses and a reduction in costs through the examination of costs.

e. Energy Business Division

Net sales stood at ¥5,041 million yen (down 13.1% 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 ¥30 million (operating income of ¥253 million in the same period of the previous fiscal year) was posted due to the significant impact of the decrease in net sales.

(2) Information of Consolidated Financial Position

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

Total assets at the end of the first half of the fiscal year under review amounted to ¥30,108 million, a decrease of ¥901 million from the end of the previous fiscal year. This was caused chiefly by a fall in cash and deposits of ¥1,402 million, a decrease in notes and accounts receivable-trade of ¥897 million, and an increase of ¥1,180 million in property, plant, and equipment.

Total liabilities stood at ¥24,829 million, a decline of ¥1,985 million from the end of the previous fiscal year. This was attributable largely to decreases in short-term loans payable of ¥2,170 million and accounts payable-other of ¥1,273 million, which more than offset increases in bonds payable of ¥500 million and long-term loans payable of ¥830 million. Net assets totaled ¥5,278 million, an increase of ¥1,084 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 ¥1,140 million.

Consequently, the capital-to-asset ratio for the first half of the fiscal year under review came to 17.4%, an increase from 13.4% at the end of the previous fiscal year.

b. Information on Consolidated Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of September 30, 2019 totaled ¥2,982 million, a decrease of ¥1,515 million (33.7 %) from March 31, 2019 due to net cash used in investing activities and financing activities of ¥1,753 million and ¥523 million, respectively, despite cash provided by operating activities of ¥819 million.

Cash flows and the reasons for changes in cash flows during the first half of the fiscal year under review are described below.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities totaled ¥819 million (compared with net cash used of ¥1,468 million in the same period last year). This was mainly due to a decrease in accounts payable-other of ¥1,356, while income before income taxes of ¥1,429 million was posted and trade receivables decreased by ¥897 million.

(Net Cash Provided by Investment Activities)

Net cash used in investing activities totaled ¥1,753 million (compared with net cash used of ¥473 million in the same period of the previous year). This was mainly due to the payment of ¥1,492 million for the purchase of property, plant and equipment.

(Net Cash Provided by Financing Activities)

Net cash used in financing activities amounted to ¥523 million (compared with net cash provided of ¥642 million in the same period of the previous year). The major causes included an increase of ¥819 million in net long-term loans payable and proceeds from the issuance of bonds of ¥500 million, which were more than offset by a decrease of ¥2,170 million in net

short-term loans payable.

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

The Company revised the forecasts for the consolidated business results for the fiscal year ending March 31, 2020 on November 13, 2019 as described below, taking into account the results for the first half of the fiscal year.

Net sales are expected to fall below the previous forecast due to a decrease in net sales in the Energy Business Division.

Operating income, ordinary income, and net income attributable to owners of the parent company are expected to exceed the previous forecasts thanks to the results for the first half of the fiscal year under review, which exceeded the forecasts despite net sales falling short of the forecast.

The forecast of Consolidated Business Results for the full fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(In Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share/¥
Previous Forecast (A)	50,900	1,910	1,810	1,370	¥28.66
Revised Forecast (B)	50,131	2,248	2,079	1,579	¥33.04
Changes (B-A)	- 768	338	269	209	—
Rate of Change (%)	(-1.5)	(17.7)	(14.9)	(15.3)	—
Reference: Results for FY2018 (ended March 31,2019)	50,719	1,224	1,182	240	¥5.02

2. Quarterly Consolidated Financial Statements and the Primary Notes for the First Half ended September 30, 2019

(1) Quarterly Consolidated Balance Sheets

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2018	FY2019
Assets :		
Current Assets :		
Cash and deposits	5,238	3,835
Notes and accounts receivable-trade	6,010	5,112
Merchandise and finished goods	1,019	444
Work in process-construction	122	398
Raw materials and supplies	3,546	3,610
Other	975	1,351
Allowance for doubtful accounts	(299)	(269)
Total Current Assets	<u>16,613</u>	<u>14,483</u>
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,901	1,824
Machinery, Equipment and Vehicles(net of depreciation)	1,355	1,652
Land	7,811	8,053
Other (net of depreciation)	989	1,706
Total Property, Plant and Equipment	<u>12,057</u>	<u>13,238</u>
Intangible Fixed Assets :	262	319
Investments and Other Assets :	<u>2,074</u>	<u>2,067</u>
Total Fixed Assets	<u>14,395</u>	<u>15,625</u>
Total Assets	<u>31,009</u>	<u>30, 108</u>

	(In Millions of Yen)	
	As of Mar. 31	As of Sep. 30
	FY2018	FY2019
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	4,188	3,664
Short-term loans payable	12,297	10,127
Current portion of long-term loans payable	143	132
Accounts payable	3,930	2,657
Accrued income taxes	462	519
Provision for bonuses	4	172
Allowance for resource-recycling expenses	12	15
Other	2,488	2,545
Total Current Liabilities	23,529	19,834
Non-Current Liabilities :		
Bonds payable	-	500
Long-term loans payable	210	1,040
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	603	613
Liability related to retirement benefits	1,642	1,661
Other	819	1,170
Total Non-Current Liabilities	3,285	4,995
Total Liabilities	26,815	24,829
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(8,357)	(7,216)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	4,204	5,345
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	60	49
Foreign currency translation adjustment	(17)	(101)
Adjustment for retirement benefits (cumulative)	(85)	(42)
Total Accumulated other comprehensive income	(42)	(94)
Non-controlling Interests	31	27
Total Net Assets	4,193	5,278
Total Liabilities and Assets	31,009	30,108

(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	
	FY2018	FY2019
Net sales	24,447	24,538
Cost of sales	16,943	15,675
Gross profit	7,503	8,863
Selling, general and administrative expenses	6,815	7,311
Operating income	688	1,551
Non-operating income :		
Interest income	4	8
Dividends income	1	1
Land and house rent revenue	32	31
Foreign exchange gains	8	8
Subsidy income	0	2
Compensation income	70	-
Other	12	20
Total non-operating income	129	72
Non-operating expenses :		
Interest expenses	98	101
Commision paid	11	75
Other	18	17
Total non-operating expenses	128	194
Ordinary income (loss)	689	1,429
Extra ordinary loss :		
Loss on disaster	377	-
Total extraordinary loss	377	-
Income (loss) before income taxes and minority interests	312	1,429
Income taxes-current	158	296
Income taxes-deferred	(40)	(4)
Total income taxes	117	292
Net Income (loss)	194	1,137
Net Income (loss) belonging to the non-controlling shareholders	0	(3)
Net income belonging to the shareholders of the parent company	194	1,140

(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	
	FY2018	FY2019
Net Income	194	1,137
Other comprehensive income :		
Valuation difference on available-for-sale securities	(2)	(10)
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	(20)	(84)
Adjustment for retirement benefit adjustment	1	42
Total other comprehensive income	(21)	(52)
Comprehensive net income	173	1,084
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	172	1,088
Comprehensive income belonging to non-controlling shareholders	0	(3)

(3) Quarterly Consolidated Statements of Cash Flows

(In Millions of Yen)

	First Half	
	From April 1 to September 30	
	FY2018	FY2019
Net Cash Provided by (Used in) Operating Activities		
Income before income taxes and minority interests	312	1,429
Depreciation and amortization	394	431
Amortization of goodwill	56	-
Increase(Decrease) in Provision for bonuses	-	167
Increase (Decrease) in allowance for disposal site closing expenses	14	9
Increase (Decrease) in allowance for resource-recycling expenses	9	3
Increase (Decrease) in allowance for disaster loss	377	-
Increase (decrease) in provision for retirement benefits	44	61
Increase (decrease) in allowance for doubtful accounts	(222)	(17)
Interest income and dividends income	(5)	(9)
Interest expenses	98	101
Increase (decrease) in notes and accounts receivable-trade	37	897
Increase (decrease) in inventories	(818)	217
Increase (decrease) in other current assets	(289)	(414)
Increase (decrease) in notes and accounts payable-trade	(969)	(454)
Accounts payable	(323)	(1,356)
Increase (decrease) in accrued consumption taxes	(154)	(106)
Increase (decrease) in other current liabilities	148	180
Other, net	178	64
Subtotal	(1,111)	1,206
Interest and dividends income received	5	9
Interest expenses paid	(101)	(97)
Income taxes paid	(296)	(306)
Income taxes refund	36	7
Net cash provided by (used in) operating activities	(1,468)	819
Net Cash Provided by (Used in) Investing Activities		
Payments into time deposits	(520)	(832)
Proceeds from withdrawal of time deposits	328	659
Purchase of property, plant and equipment	(214)	(1,492)
Proceeds from sales of property, plant and equipment	0	1
Other, net	(10)	(88)
Net cash provided by (used in) investing activities	(417)	(1,753)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	742	(2,170)
Proceeds from long-term loans payable	20	928
Repayment of long-term loans payable	(65)	(109)
Proceeds from issuance of bonds	-	500
Repayments of finance lease obligations	(88)	(118)
Other, net	34	445
Net cash provided by (used in) financing activities	642	(523)
Effect of exchange rate change on cash and cash equivalents	(7)	(58)
Net increase (decrease) in cash and cash equivalents	(1,249)	(1,515)

Cash and cash equivalents, beginning of the period	5,083	4,497
Cash and cash equivalents, end of the quarter	3,833	2,982

(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, 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	Energy	Total		
Sales:								
Sales to customers	5,947	5,495	905	6,294	5,804	24,447	-	24,447
Internal sales among segments and transfer accounts	-	-	-	(980)	-	(980)	(980)	-
Total	5,947	5,495	905	7,275	5,804	25,427	(980)	24,447
Operating income (loss)	55	1,238	128	708	253	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.

II The first half (From April 1, 2019 to September 30, 2019)**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	Energy	Total		
Sales:								
Sales to customers	5,606	5,884	1,102	6,903	5,041	24,538	-	24,538
Internal sales among segments and transfer accounts and transfer accounts	-	-	-	(1,142)	-	(1,142)	(1,142)	-
Total	5,606	5,884	1,102	8,045	5,041	25,680	(1,142)	24,538
Operating income (loss)	298	1,235	137	1,655	(30)	3,295	(1,744)	1,551

(note 1)

Negative ¥1,744 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) 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 half of the previous fiscal year is prepared based on the reportable segments after the organizational change.

3. Other

Consolidated Net Sales by Division

	(In Millions of Yen)		
	From April 1 to September 30		Changes
	FY2018	FY2019	
Commercial PV system	5,564	5,417	(146)
Wholesale of PV components	288	121	(167)
Others	94	67	(27)
Solar Engineering Total	5,947	5,606	(340)
Termite Eradication Service	1,831	1,991	160
Under-Roof/Roof Ventilation System	870	1,187	316
Foundation Repairing/Home Reinforcement System	1,110	969	(141)
Others	1,681	1,736	54
Home Sanitation Division Total	5,495	5,884	389
Anti-rust equipment installation	433	554	12
Repair of building water-works	201	215	14
Water proofing of building	79	143	63
Others	191	188	(2)
Establishment Sanitation Division Total	905	1,102	196
Plastic fuel	4,105	4,703	598
Power Stations	1,518	1,644	125
Industrial waste (Organic Waste Water Recycle)	925	962	37
Final disposal	377	470	93
Others	349	264	(84)
Environmental Resources Development Division Total :	7,275	8,045	770
Electricity sales	5,804	5,011	(792)
Others	-	30	30
Energy Business Division Total:	5,804	5,041	(762)
Adjustment of inter-segment sales	(980)	(1,142)	(161)
Total Net Sales	24,447	24,538	91