



SANIX INCORPORATED

Summary of Consolidated Financial Statements
For the Third Quarter Ended December 31, 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 Third Quarter ended December 31, 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 Third Quarter ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results

(In Millions of Yen)

	Third Quarter			
	From April 1 to December 31			
	FY2019	%change	FY2018	%change
Net Sales	37,893	2.3%	37,037	1.3%
Operating Income	2,284	133.5%	978	26.5%
Ordinary Income	2,087	122.4%	938	68.2%
Net Income	1,531	692.7%	193	(43.5%)
Net Income per Share (¥)	¥32.03	—	¥4.04	—
Net Income per Share, Diluted(¥)	—	—	—	—
(Note) Comprehensive Income	1,508	976.3%	140	(66.7%)

(2) Consolidated Financial Position

(In Millions of Yen)

	As of December 31	As of March 31
	FY2019	FY2018
	Total Assets	31,935
Net Assets	5,702	4,193
Shareholders' Equity Ratio (%)	17.8%	13.4%
Net assets per share(¥)	¥118.73	¥87.08
(Reference) Equity Capital	5,675	4,162

2. Dividends

	End of Quarterly Period				Annual
	1 st	2 nd	3 rd	4 th	
	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	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 2019	
	Full Year	%change
Net Sales.....	51,082	0.7%
Operating Income	2,550	108.2%
Ordinary Income.....	2,330	97.1%
Net Income	1,808	653.2%
Net Income per Share (¥).....	¥37.84	

(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)

	(Shares)	
	End of term	
	December 31, 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.....	1,114,343	1,114,173
Average number of shares during the fiscal term.....	47,805,182	* 47,805,458

* December 31, 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 Third Quarter ended December 31, 2019

(1) Information of Consolidated Business Results

In the third quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019), the Japanese economy continued to follow a modest recovery path, despite the effects of a slowdown in overseas economies and natural disasters. In addition, capital spending showed an upward trend as corporate earnings remained at high levels overall. Meanwhile, consumer spending is slowly increasing on the back of steady improvements in employment and income environment, despite the impact of the consumption tax hike.

Under these circumstances, the Group established the Energy Business Division and implemented 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.

As for net sales in the first three quarters under review, sales rose in the Environmental Resources Development Business Division. However, sales declined in the Energy Business Division. As a result, net sales of the entire Group stood at ¥37,893 million (up 2.3% year on year).

The sales increase in the Environmental Resources Development Business Division contributed to profit. As a result, for the entire Group, operating income came to ¥2,284 million (up 133.5% year on year) and ordinary income was ¥2,087 million (up 122.4% year on year). Net income attributable to the owners of the parent company substantially grew to ¥1,531 million (up 692.7% year on year) as a result of posting ¥427 million, the expected amount of expenses for restoring the facilities stricken by the Hokkaido Eastern Iburi earthquake in September 2018, as a loss caused by the disaster under extraordinary losses in the same period of the previous fiscal year.

Operating results by segment for the first three quarters under review are as follows. Reportable segment was reviewed in the first quarter and the Power Producer and Supplier (PPS) Business was separated from the Environmental Resources Development Business Division, and the Energy Business Division was established. Consequently, year-on-year comparisons are being reclassified into new segments.

a. SE (Solar Engineering) Division

As the contracted size of the solar electric power market is gradually becoming smaller, sales from solar electric power systems increased (up 4.8% year on year), due primarily to the effect of sales of solar electric power systems with land as a new sales approach. As a result, net sales came to ¥9,869 million (up 2.1% year on year).

Operating income increased due to higher sales, cost cutting through the transfer of staff to the HS Division and a decrease in the cost of materials, and the segment posted operating income of ¥741 million (up 44.5% year on year).

b. HS (Home Sanitation) Division

The HS Division strengthened the sales and construction systems so that the Division would be able to make carefully crafted proposals for the maintenance of ordinary houses by increasing personnel through transfers and recruitment. Termite extermination increased 5.3% year on year, and underfloor/ceiling ventilation systems rose 38.7% year on year. As a result, the division's sales rose to ¥8,529 million (up 5.6% year on year).

Operating income stood at ¥1,633 million (down 4.2% year on year) after an increase in expenses such as labor caused by the addition of personnel to expand our operations despite higher sales.

c. ES (Establishment Sanitation) Division

Sales of anti-rust equipment installation (brand name: Daelman Shock), our main product, increased 14.5% year on year, and sales of and building waterproof paint repair rose 86.1% year on year as a result of increasing personnel through transfers and recruitment, strengthening sales activities with 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 ¥1,584 million (up 14.4% year on year).

Operating income declined to ¥155 million (down 20.6% year on year) due to an increase in expenses such as labor caused by the addition of personnel to expand the business size of the Division despite higher sales.

d. Environmental Resources Development (ERD) Division

Plastic fuel sales increased 16.0% year on year because the Division emphasized the profitability and the quality of plastic fuels and proceeded with careful examination of accepted articles, although the acceptance volume of waste plastics decreased. Moreover, power plant sales increased 27.7% year on year due to the impact of the suspension of the Tomakomai Power Plant caused by the earthquake in the previous third quarter. As a result, net sales amounted to ¥12,294 million (up 14.8% year on year).

Operating income increased to ¥2,317 million (up 208.4% year on year) due to the operation of the Tomakomai Power Plant as well as the careful examination of waste plastics and accepted articles in the organic wastewater recycling.

e. Energy Business Division

Retail net sales declined chiefly due to a fall in the number of high pressure contracts and a reduction in transaction prices in the wholesale market. As a result, net sales stood at ¥7,103 million (down 13.2% year on year).

Operating income decreased to ¥10 million (down 96.9% year on year) due to lower net sales and the reduction in profit ratio resulting from the rising wholesale ratio.

(2) Information of Consolidated Financial Position

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

Total assets as of the end of the third quarter under review amounted to ¥31,935 million, an increase of ¥925 million from the end of the previous consolidated fiscal year, which was caused by an increase in construction in progress (others under property, plant and equipment) of ¥711 million.

Total liabilities stood at ¥26,232 million, a decline of ¥582 million from the end of the previous consolidated fiscal year, which was attributable largely to increases in long-term loans payable of ¥724 million and bonds payable of ¥500 million, while short-term loans payable decreased by ¥1,836 million.

Net assets totaled ¥5,702 million, an increase of ¥1,508 million from the end of the previous consolidated fiscal year, mainly due to the posting of net income attributable to the owners of the parent company of ¥1,531 million.

Consequently, the shareholders' equity ratio at the end of the third quarter of the fiscal year under review came to 17.8%, 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

The Group revised the forecasts for the consolidated business results for the current fiscal year ending March 31, 2020, on February 13, 2020, as described below, taking into account the operating results for the third quarter of the fiscal year ending March 31, 2020.

Net sales are expected to exceed the previous forecast due to an increase in net sales in the SE Business Division, after taking into consideration the operating results of the first three quarters of the fiscal year ending March 31, 2020.

Operating income, ordinary income, and net income attributable to owners of the parent are expected to exceed the previous forecasts reflecting higher-than-expected net sales and the operating results of the first three quarters of the fiscal year ending March 31, 2020.

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)	50,131	2,248	2,079	1,579	¥33.04
Revised Forecast (B)	51,082	2,550	2,330	1,808	¥37.84
Changes (B-A)	950	302	251	229	—
Rate of Change (%)	1.9	13.5	12.1	14.5	—
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 Third Quarter ended December 31, 2019

(1) Quarterly Consolidated Balance Sheets

(In Millions of Yen)

	As of Mar. 31 FY2018	As of Dec. 31 FY2019
Assets :		
Current Assets :		
Cash and deposits	5,238	5,543
Notes and accounts receivable-trade	6,010	5,167
Merchandise and finished goods	1,019	447
Work in process-construction	122	225
Raw materials and supplies	3,546	3,889
Other	975	1,296
Allowance for doubtful accounts	(299)	(251)
Total Current Assets	16,613	16,318
Fixed Assets:		
Property, Plant and Equipment :		
Buildings and structures (net of depreciation)	1,901	1,767
Machinery, Equipment and Vehicles(net of depreciation)	1,355	1,724
Land	7,811	8,053
Other (net of depreciation)	989	1,765
Total Property, Plant and Equipment	12,057	13,311
Intangible Fixed Assets	262	318
Investments and Other Assets :	2,074	1,986
Total Fixed Assets	14,395	15,616
Total Assets	31,009	31,935

	(In Millions of Yen)	
	As of Mar. 31	As of Dec. 31
	FY2018	FY2019
Liabilities :		
Current Liabilities :		
Notes and accounts payable-trade	4,188	3,660
Short-term loans payable	12,297	10,461
Current portion of long-term loans payable	143	225
Accounts payable	3,930	3,461
Accrued income taxes	462	358
Provision for bonuses	4	126
Allowance for resource-recycling expenses	12	13
Other	2,488	2,908
Total Current Liabilities	<u>23,529</u>	<u>21,214</u>
Non-Current Liabilities :		
Bonds	-	500
Long-term loans payable	210	934
Provision for directors' retirement benefits	9	9
Provision for disposal site closing expenses	603	631
Liability related to retirement benefits	1,642	1,679
Other	819	1,262
Total Non-Current Liabilities	<u>3,285</u>	<u>5,018</u>
Total Liabilities	<u>26,815</u>	<u>26,232</u>
Net Assets :		
Shareholders' Equity :		
Capital stock	14,041	14,041
Capital surplus	1	1
Retained earnings	(8,357)	(6,825)
Treasury stock	(1,481)	(1,481)
Total Shareholders' Equity	<u>4,204</u>	<u>5,736</u>
Accumulated other comprehensive income :		
Valuation difference on available-for-sale securities	60	49
Foreign currency translation adjustment	(17)	(67)
Adjustment for retirement benefits (cumulative)	(85)	(42)
Total Accumulated other comprehensive income	<u>(42)</u>	<u>(60)</u>
Non-controlling Interests	<u>31</u>	<u>26</u>
Total Net Assets	<u>4,193</u>	<u>5,702</u>
Total Liabilities and Assets	<u>31,009</u>	<u>31,935</u>

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

	(In Millions of Yen)	
	Third Quarter	
	From April 1 to December 31	
	FY2018	FY2019
Net sales	37,037	37,893
Cost of sales	25,839	24,632
Gross profit	11,197	13,260
Selling, general and administrative expenses	10,219	10,976
Operating income	978	2,284
Non-operating income :		
Interest income	7	13
Dividends income	2	2
Land and house rent revenue	48	47
Foreign exchange gains	10	-
Subsidy income	8	8
Compensation income	70	-
Other	28	34
Total non-operating income	176	105
Non-operating expenses :		
Interest expenses	176	153
Commission paid	18	90
Other	21	57
Total non-operating expenses	216	302
Ordinary income (loss)	938	2,087
Extra ordinary loss :		
Loss on disaster	427	-
Total extraordinary loss	427	-
Income (loss) before income taxes and minority interests	511	2,087
Income taxes-current	322	477
Income taxes-deferred	(1)	83
Total income taxes	320	560
Net Income (loss)	191	1,526
Net Income (loss) belonging to the non-controlling shareholders	(1)	(4)
Net income (loss) belonging to the shareholders of the parent company	193	1,531

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

	(In Millions of Yen)	
	Third Quarter	
	From April 1 to December 31	
	FY2018	FY2019
Net Income (loss)	191	1,526
Other comprehensive income :		
Valuation difference on available-for-sale securities	(14)	(10)
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	(38)	(50)
Adjustment for retirement benefit adjustment	1	42
Total other comprehensive income	(51)	(18)
Comprehensive net income	140	1,508
(Breakdown)		
Comprehensive income belonging to the shareholders of the parent company	141	1,513
Comprehensive income belonging to non-controlling shareholders	(1)	(4)

(3) Notes regarding the Quarterly Consolidated Financial Statements**(Notes to the Assumption of a Going Concern)**

: None

(Notes to Remarkable Changes in the amount of Shareholders' Equity)

: None

(Segment Information, etc.)**I The previous third Quarter (From April 1, 2018 to December 31, 2018)****i) Information concerning the Amount of Net Sales and Operating Income (loss) by Segment**

(In Millions of Yen)

	Segments						Elimination or Group (note 1)	Consolidated (note 2)
	SE	HS	ES	ERD	Energy	Total		
Sales:								
Sales to customers	9,664	8,074	1,385	9,724	8,188	37,037	-	37,037
Internal sales								
Among segments and transfer accounts	-	-	-	980	-	980	(980)	-
Total	9,664	8,074	1,385	10,705	8,188	38,017	(980)	37,037
Operating income (loss)	513	1,704	196	751	336	3,502	(2,524)	978

(note 1)

Negative ¥2,524 million for adjustments of Operating income (loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2)

Operating income (loss) is adjusted to operating loss of quarterly consolidated statements of income.

II The Third Quarter (From April 1, 2019 to December 31, 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	9,869	8,529	1,584	10,805	7,103	37,893	-	37,893
Internal sales								
Among segments and transfer accounts	-	-	-	1,488	-	1,488	(1,488)	-
Total	9,869	8,529	1,584	12,294	7,103	39,381	(1,488)	37,893
Operating income (loss)	741	1,633	155	2,317	10	4,858	(2,574)	2,284

(note 1)

Negative ¥2,574 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 third quarter of the previous fiscal year is prepared based on the reportable segments after the organizational change.

3. Others

Consolidated Net Sales by Division

	(In Millions of Yen)		
	From April 1 to December 31		Changes
	FY2018	FY2019	
Commercial PV system	9,142	9,581	439
Wholesale of PV components	400	186	(214)
Others	121	101	(20)
Solar Engineering Division Total	9,664	9,869	205
Termite Eradication Service	2,623	2,762	138
Under-Floor/Roof Ventilation System	1,328	1,843	514
Foundation Repairing/Home Reinforcement System	1,600	1,388	(212)
Others	2,521	2,535	13
Home Sanitation Division Total	8,074	8,529	454
Anti-rust equipment installation	667	763	96
Repair of building water-works	326	329	2
Water proofing of building	114	213	98
Others	276	278	1
Establishment Sanitation Division Total	1,385	1,584	199
Plastic fuel	6,451	7,484	1,032
Power Stations	1,731	2,211	480
Industrial waste (Organic Waste Water Recycle)	1,413	1,473	59
Final disposal	595	722	126
Others	512	402	(109)
Environmental Resources Development Division Total :	10,705	12,294	1,589
Electricity sales	8,188	7,032	(1,156)
Others	-	71	71
Energy Business Division Total:	8,188	7,103	(1,084)
Adjustment of inter-segment sales	(980)	(1,488)	(507)
Total Net Sales	37,037	37,893	855