

# Annual Report

2019



SANKO GOSEI LTD.

## Selected Financial Data

SANKO GOSEI LTD.

### Consolidated

Years ended May 31	Millions of yen				
	2019	2018	2017	2016	2015
Net sales.....	¥ 55,147	¥ 58,339	¥ 56,160	¥ 55,642	¥ 50,175
Operating income.....	2,253	2,845	2,359	2,184	2,339
Net income.....	1,353	1,856	1,186	1,153	1,360
Net assets.....	19,986	16,961	15,052	13,905	13,049
Total assets.....	48,118	45,649	44,004	42,774	45,408

Amounts per share of common stock:	Yen				
	2019	2018	2017	2016	2015
Net income.....	¥ 45.79	¥ 72.84	¥ 46.54	¥ 46.64	¥ 64.99

Note: The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during the year.

### Non-Consolidated

Years ended May 31	Millions of yen				
	2019	2018	2017	2016	2015
Net sales.....	¥ 22,960	¥ 22,106	¥ 22,565	¥ 20,951	¥ 22,321
Operating income.....	813	750	1,230	1,126	1,280
Net income.....	1,113	961	1,567	664	1,250
Net assets.....	17,574	14,582	13,686	12,374	9,954
Total assets.....	33,560	30,918	28,754	26,653	24,242

Amounts per share of common stock:	Yen				
	2019	2018	2017	2016	2015
Net income.....	¥ 37.68	¥ 37.70	¥ 61.48	¥ 26.86	¥ 59.74
Cash dividends applicable to the year.....	14.00	12.00	10.00	10.00	9.00

Note: The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during the year.

## A Message from the Management

Thank you very much for your kind support to our Sanko Gosei Group.

We have closed our account of this fiscal year and I would like to summarize our business situation and financial result.

### Consolidated Results of Operations

In this fiscal year, Japanese economy had showed gradual improvement trend of companies' revenue and personal income in the first half-year. On the other hand, in the second half-year, China-United States trade friction caused slowdown in Chinese economy and it has affected the Japanese economy.

As for the global economy, uncertain economic outlook situation is still lasting. Because China-United States trade friction has become more serious and UK has not decided how UK leaves EU.

In this situation, Sanko Gosei Group continuously conducted cost-cutting activities (tried to cut labor cost and the expense proactively) so that we are able to improve the production efficiency just as the previous year.

As a result of above mentioned performance, the sales amount of this consolidated accounting period is ¥ 55,147 million (decrease of 5.5% compared with the previous year). As for the profit, the Operating Income is ¥ 2,253 million (decrease of 20.8% compared with the previous year). Net Income is ¥ 1,353 million (decrease of 27.1% compared with the previous year) .

### Performance results of each segment are as follows:

#### Domestic

Sales of mold division decreased but, in plastic product division, sales for information communication components and exterior and interior for automobiles increased. As a result, sales amount is ¥ 24,764 million (increase of 0.9% compared with the previous year) and the segment income is ¥ 1,538 million (decrease of 6.4% compared with the previous year).

#### Europe

As demand for exterior and interior for automobiles decreased, sales amount is ¥ 7,289 million (decrease of 12.9% compared with the previous year) and the segment income is ¥ 752 million (increase of 7.9% compared with the previous year).

#### Asia

As sales for exterior and interior components for automobiles and molding tool decreased, sales amount is ¥ 17,161 million (decrease of 7.0% compared with the previous year) and segment income is ¥ 556 million (decrease of 28.8% compared with the previous year).

#### North America

As some customers have started in-house manufacturing, sales for exterior and interior components for automobiles and molding tool decreased. As a result, sales amount is ¥ 5,933 million (decrease of 14.9% compared with the previous year) and segment income is ¥ 51 million (decrease of 80.2% compared with the previous year).

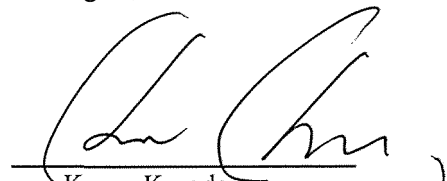
## Outlook

We expect uncertain economic outlook situation will last due to China-United States trade friction and BREXIT.

Even under such situation, we promote the order expansion of high value-added products and the build-up of competitiveness by thorough cost reduction and aim at the expansion of the income.

We would appreciate having your continued support for our Sanko Gosei Group.

August, 2019

A handwritten signature in black ink, consisting of stylized cursive letters, positioned above a horizontal line.

Kenso Kuroda  
*President and  
Representative Director*

# Consolidated Balance Sheets

SANKO GOSEI LTD.

May 31, 2019 and 2018	Millions of yen	
	2019	2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash on hand and in banks.....	¥ 7,060	¥ 6,899
Notes and accounts receivable:		
Trade.....	12,525	12,070
Allowance for doubtful accounts.....	(1)	(1)
Inventories (Note 5).....	4,012	3,576
Other current assets.....	1,835	1,701
Total current assets.....	25,431	24,245
<b>Property, plant and equipment (Note 7):</b>		
Land.....	4,541	4,471
Buildings and structures.....	17,486	16,690
Machinery, equipment and automobile.....	25,985	24,793
Tools, furniture and fixtures.....	8,102	8,002
Construction in progress.....	1,114	368
Total property, plant and equipment.....	57,228	54,324
Accumulated depreciation.....	(35,741)	(34,491)
Net property, plant and equipment.....	21,487	19,833
<b>Investments and other assets:</b>		
Investments in affiliated companies.....	-	380
Investments in securities (Note 6).....	13	15
Deferred tax assets (Notes 4,13).....	426	665
Intangible fixed assets.....	583	616
Other assets.....	178	200
Allowance for doubtful accounts.....	-	(29)
Allowance for investment loss.....	-	(276)
Total investments and other assets.....	1,200	1,571
<b>Total Assets:</b>	¥ 48,118	¥ 45,649

See accompanying notes.

	Millions of yen	
	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Short-term bank loans (Note 7):	¥ 2,404	¥ 5,438
Current portion of long-term debt (Note 7):		
Bank loans.....	2,664	2,527
Bonds.....	150	230
Lease obligation due within one year.....	611	763
Notes and accounts payable:		
Trade.....	9,097	9,294
Construction.....	210	162
Income taxes payable.....	257	216
Accrued expenses and other payables.....	2,788	2,473
Other current liabilities.....	729	599
Total current liabilities.....	18,910	21,702
<b>Long-term liabilities:</b>		
Long-term debt (Note 7).....	6,153	4,197
Long-term lease obligation.....	1,572	1,403
Net defined benefits liability (Note 10).....	982	957
Deferred tax liabilities (Notes 4,13).....	56	237
Retirement benefits for directors and corporate auditors.....	23	23
Other long-term liabilities.....	436	169
Total long-term liabilities.....	9,222	6,986
<b>Total Liabilities</b> .....	28,132	28,688
<b>NET ASSETS</b>		
<b>Owners' equity:</b>		
Common stock.....	4,009	2,886
Authorized - 43,200,000 shares		
Issued - 30,688,569 shares		
Capital surplus.....	4,087	2,964
Retained earnings.....	13,082	12,095
Treasury stock.....	(43)	(43)
Total owners' equity.....	21,135	17,902
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities.....	(5)	(3)
Foreign currency translation adjustments.....	(1,335)	(1,112)
Remeasurements of defined benefit plans.....	(325)	(361)
Deferred losses on hedges.....	-	(0)
Total accumulated other comprehensive income.....	(1,665)	(1,476)
Non-controlling interests.....	516	535
Total Net Assets.....	19,986	16,961
<b>Total Liabilities and Net Assets:</b>	¥ 48,118	¥ 45,649

# Consolidated Statements of Income

SANKO GOSEI LTD.

Years ended May 31, 2019 and 2018	Millions of yen	
	2019	2018
<b>Net sales</b> (Note 16).....	¥ 55,147	¥ 58,339
<b>Costs and expenses</b> (Note 16):		
Cost of sales.....	46,314	48,925
Selling, general and administrative expenses (Note 11).....	6,580	6,569
	52,894	55,494
Operating income (Note 16).....	2,253	2,845
<b>Other income (expenses):</b>		
Interest and dividend income.....	27	28
Interest expense.....	(226)	(269)
Equity in loss of affiliated companies.....	-	(22)
Other, net (Note 12).....	(158)	(93)
	(357)	(356)
Income before income taxes and non-controlling interests.....	1,896	2,489
<b>Income taxes</b> (Note 13):		
Current.....	(523)	(501)
For prior periods.....	(43)	-
Deferred.....	8	(73)
	(558)	(574)
Income before non-controlling interests.....	1,338	1,915
<b>Non-controlling interests in losses</b> .....	15	(58)
<b>Net income</b> .....	¥ 1,353	¥ 1,857
	Yen	
<b>Amounts per share of common stock:</b>		
Net income .....	¥ 45.79	¥ 72.84
Cash dividends applicable to the year .....	14.00	12.00

See accompanying notes.

# Consolidated Statement of Comprehensive Income

SANKO GOSEI LTD.

Years ended May 31, 2019 and 2018	Millions of yen	
	2019	2018
<b>Income before non-controlling interests</b> .....	¥ 1,338	¥ 1,915
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities.....	(1)	0
Deferred gains or losses on hedges.....	0	(0)
Foreign currency translation adjustments .....	(227)	(74)
Adjustment of employees' retirement benefits.....	35	105
Share of other comprehensive income of affiliates accounted for using equity method.....	-	26
Total other comprehensive income(Note 8).....	(193)	57
<b>Comprehensive income</b> .....	¥ 1,145	¥ 1,972
<b>Comprehensive income attributable to:</b>		
Owners of the parent.....	1,164	1,918
Non-controlling interests.....	(19)	54

See accompanying notes.



# Consolidated Statements of Changes in Net Assets

SANKO GOSEI LTD.

Period from June 1, 2018 to May 31, 2019	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total Owners' equity
<b>Balance at beginning of year</b>	¥ 2,886	¥ 2,964	¥ 12,095	¥ (43)	¥ 17,902
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ 2,886	¥ 2,964	¥ 12,095	¥ (43)	¥ 17,902
<b>Changes of items during the period</b>					
Issuance of common stock	¥ 1,123	¥ 1,123	-	-	¥ 2,246
Dividends	-	-	(366)	-	(366)
Net income	-	-	1,353	-	1,353
Purchase of treasury stock	-	-	-	(0)	(0)
Net changes of items other than owners' equity	-	-	-	-	-
<b>Total changes of items during the period</b>	1,123	1,123	987	(0)	3,233
<b>Balance at the end of the current period</b>	¥ 4,009	¥ 4,087	¥ 13,082	¥ (43)	¥ 21,135

Millions of yen

Period from June 1, 2018 to May 31, 2019	Accumulated other Comprehensive Income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated losses from valuation and translation adjustments
<b>Balance at beginning of year</b>	¥ (3)	¥ (0)	¥ (1,112)	¥ (361)	¥ (1,476)
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ (3)	¥ (0)	¥ (1,112)	¥ (361)	¥ (1,476)
<b>Changes of items during the period</b>					
Net changes of items other than owners' equity	(2)	0	(223)	36	(189)
<b>Total changes of items during the period</b>	(2)	0	(223)	36	(189)
<b>Balance at the end of the current period</b>	¥ (5)	¥ -	¥ (1,335)	¥ (325)	¥ (1,665)

Millions of yen

Period from June 1, 2018 to May 31, 2019	Non-controlling interests	Total net assets
	<b>Balance at beginning of year</b>	¥ 535
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ 535	¥ 16,961
<b>Changes of items during the period</b>		
Issuance of common stock	¥ -	¥ 2,246
Dividends	-	(366)
Net income	-	1,353
Purchase of treasury stock	-	(0)
Net changes of items other than owners' equity	(19)	(208)
<b>Total changes of items during the period</b>	(19)	3,024
<b>Balance at the end of the current period</b>	¥ 516	¥ 19,986

Millions of yen

# Consolidated Statements of Changes in Net Assets

SANKO GOSEI LTD.

Period from June 1, 2017 to May 31, 2018	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total Owners' equity
<b>Balance at beginning of year</b>	¥ 2,886	¥ 2,964	¥ 10,303	¥ (43)	¥ 16,110
Total amount which is affected by					
changing of accounting policies	¥ -	¥ -	¥ 216	¥ -	¥ 216
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ 2,886	¥ 2,964	¥ 10,519	¥ (43)	¥ 16,326
<b>Changes of items during the period</b>					
Dividends	¥ -	¥ -	¥ (280)	¥ -	¥ (280)
Net income	-	-	1,856	-	1,856
Purchase of treasury stock	-	-	-	(0)	(0)
Net changes of items other than owners' equity	-	-	-	-	-
<b>Total changes of items during the period</b>	-	-	1,576	(0)	1,576
<b>Balance at the end of the current period</b>	¥ 2,886	¥ 2,964	¥ 12,095	¥ (43)	¥ 17,902

Millions of yen

Period from June 1, 2017 to May 31, 2018	Accumulated other Comprehensive Income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated losses from valuation and translation adjustments
<b>Balance at beginning of year</b>	¥ (4)	¥ -	¥ (1,068)	¥ (466)	¥ (1,538)
Total amount which is affected by					
changing of accounting policies	¥ -	¥ -	¥ -	¥ -	¥ -
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ (4)	¥ -	¥ (1,068)	¥ (466)	¥ (1,538)
<b>Changes of items during the period</b>					
Net changes of items other than owners' equity	1	(0)	(44)	105	62
<b>Total changes of items during the period</b>	1	(0)	(44)	105	62
<b>Balance at the end of the current period</b>	¥ (3)	¥ (0)	¥ (1,112)	¥ (361)	¥ (1,476)

Millions of yen

Period from June 1, 2017 to May 31, 2018	Non-controlling interests	Total net assets
	<b>Balance at beginning of year</b>	¥ 480
Total amount which is affected by		
changing of accounting policies	¥ -	¥ 216
<b>Balance at beginning of year which consider changing of accounting policies</b>	¥ 480	¥ 15,268
<b>Changes of items during the period</b>		
Dividends	¥ -	¥ (280)
Net income	-	1,856
Purchase of treasury stock	-	(0)
Net changes of items other than owners' equity	55	117
<b>Total changes of items during the period</b>	55	1,693
<b>Balance at the end of the current period</b>	¥ 535	¥ 16,961

Millions of yen

# Consolidated Statements of Cash Flows

SANKO GOSEI LTD.

Years ended May 31, 2019 and 2018	Millions of yen	
	2019	2018
<b>Cash flows from operating activities:</b>		
Income before income taxes and non-controlling interests.....	¥ 1,896	¥ 2,488
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:		
Depreciation expenses.....	2,623	2,435
Amortization of goodwill.....	30	30
Interest and dividend income.....	(27)	(28)
Interest expense.....	226	269
Net changes in assets and liabilities:		
Notes and accounts receivable.....	(638)	104
Inventories.....	(464)	290
Notes and accounts payable.....	(44)	(399)
Net increase in defined benefits liability.....	42	86
Other current liabilities.....	299	(243)
Other, net.....	(226)	(166)
Subtotal.....	3,717	4,866
Interest and dividend received.....	27	28
Interest paid.....	(220)	(263)
Income taxes paid.....	(538)	(595)
Net cash provided by operating activities.....	2,986	4,036
<b>Cash flows from investing activities:</b>		
Proceeds from sales of property, plant and equipment.....	27	19
Purchase of property, plant and equipment.....	(2,734)	(2,941)
Purchase of short-term investment securities.....	(1)	(1)
Other.....	(91)	(31)
Net cash used in investing activities.....	(2,799)	(2,954)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term bank loans.....	(3,030)	3,580
Proceeds from long-term debt.....	5,121	275
Repayments of long-term debt.....	(2,877)	(2,824)
Issuance of common stock.....	2,229	-
Redemption of bonds.....	(230)	(470)
Repayments of lease obligation.....	(772)	(906)
Cash dividends paid.....	(366)	(280)
Cash dividends paid for non-controlling interests.....	(0)	-
Purchase of treasury stock.....	(0)	(0)
Net cash provided by (used in) financing activities.....	75	(625)
Effect of exchange rate changes on cash and cash equivalents.....	(101)	(2)
<b>Net increase in cash and cash equivalents.....</b>	<b>161</b>	<b>455</b>
<b>Cash and cash equivalents, beginning of period.....</b>	<b>6,899</b>	<b>6,444</b>
<b>Cash and cash equivalents, end of period (Note 9).....</b>	<b>¥ 7,060</b>	<b>¥ 6,899</b>

See accompanying notes.

# Notes to Consolidated Financial Statements

SANKO GOSEI LTD.  
May 31, 2019 and 2018

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SANKO GOSEI LTD. (The "Company") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles with specific required adjustments. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

## 2. Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 19 subsidiaries in 2019 and 17 subsidiaries in 2018. The Company sold shares in PERMINTEX SANKO TECHNOLOGIES SDN BHD, which was equity method affiliate in the previous fiscal year, and the Company excluded it from the scope of equity method. Furthermore, the Company liquidated HIRASEKI KIKO LTD. which was unconsolidated subsidiary in the previous fiscal year. All significant inter-company transactions and accounts have been eliminated.

Significant subsidiaries are as follow;

SANKO GOSEI TECHNOLOGY(SINGAPORE) PTE. LTD.  
SANKO GOSEI UK LTD.  
SANKO GOSEI (THAILAND) LTD.  
SANKO GOSEI TECHNOLOGY(THAILAND) LTD.  
SET EUROPE LTD.  
PT. SANKO GOSEI TECHNOLOGY INDONESIA  
TIANJIN SANKO GOSEI CO., LTD.  
SHANGHAI SANKO GOSEI TECHNOLOGY LTD.  
SANKO GOSEI ENGINEERING (GUANGZHOU) CO., LTD.  
SANKO GOSEI MEXICO, S.A. DE C.V.  
SANKO GOSEI PHILIPPINES, INC.  
S-VANCE LTD.  
SANKO GOSEI TECHNOLOGIES USA, INC.  
SANKO SVANCE JRG TOOLONG INDIA PRIVATE LTD.  
SANKO GOSEI TECHNOLOGY INDIA PRIVATE LTD.  
WUHAN SANKO GOSEI CO., LTD.  
※DONGGUAN SANKO GOSEI CO., LTD.  
※SANKO GOSEI HUNGARY Kft.

※ There were founded in this fiscal year and the Company included them in the scope of consolidation.

The settlement date of consolidated subsidiaries, TIANJIN SANKO GOSEI CO., LTD., SHANGHAI SANKO GOSEI TECHNOLOGY LTD., SANKO GOSEI ENGINEERING (GUANGZHOU) CO., LTD., WUHAN SANKO GOSEI CO.,LTD., DONGGUAN SANKO GOSEI CO.,LTD. and SANKO GOSEI MEXICO, S.A. DE C.V. are December 31. In addition, SANKO SVANCE JRG TOOLING INDIA PRIVATE LTD. and SANKO GOSEI TECHNOLOGY INDIA PRIVATE LTD. have the settlement date as of March 31.

As for above consolidated subsidiaries, the Company use their financial statements which is based on the provisional settlement date as of May 31, when the Company prepares the consolidated financial statements. Please note that necessary adjustment for consolidation is made regarding significant transactions, which occurred between the settlement date and the provisional settlement date.

***(b) Securities***

Available-for-sale securities with readily available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Available-for-sale securities with no readily available fair market values are stated at moving-average costs.

If the market value of available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline.

***(c) Allowance for Doubtful accounts***

The allowance for doubtful accounts is provided for at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful accounts and an amount calculated based on actual collection losses incurred in the past with respect to remaining receivables.

***(d) Inventories***

Inventories except molding tool of the Company and consolidated subsidiaries are stated at the lower of cost principally determined by the first-in, first-out method or net realizable value. Molding tool are stated at the lower of cost using the specific-identification method or net realizable value.

***(e) Property, Plant and Equipment and Depreciation***

Property, plant and equipment are carried at cost.

The Company computes depreciation by the straight-line method for buildings acquired after March 31,1998. The Company computes depreciation of the remaining assets principally by the declining-balance method.

Consolidated foreign subsidiaries compute depreciation principally by the straight-line method.

***(f) Software cost and Land-use rights***

Software for internal use is amortized using the straight-line method over its estimated useful lives (principally 5 years).

The right of using land is amortized using the straight-line method over its estimated useful lives (principally 50 years).

***(g) Depreciation of capitalized Lease***

Property, plant and equipment capitalized under finance lease arrangement is amortized by the straight-line method based on the lease term as the useful life and residual value of zero.

***(h) Retirement Benefits***

Under the Company's severance and retirement benefit plan, employees with more than 3 years of service with the Company are entitled to severance and retirement benefits upon retirement at age of 60 or earlier termination of employment. The amount of benefits is determined on the basis of the current rate of pay, length of service and certain other factors.

The severance and retirement benefits for the Company's employees are provided by the funded non-contributory pension plan. Certain consolidated foreign subsidiaries have a defined benefit plan.

The fund assets are held by trustees.

Liability and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The projected benefit obligation as of the balance sheet date is measured as the actuarial present value of future severance and retirement benefits for employee services rendered prior to that date.

Actuarial gains and losses are recognized in the statement of income using the straight-line method mainly for 10 years commencing with the succeeding year.

Directors and corporate auditors of the Company are covered by a separate lump-sum retirement benefit plan and the amount of retirement benefits for directors and corporate auditors is set at an amount required in accordance with the internal rules had all directors and corporate auditors retired as of the balance sheet date.

***(i) Allowance for Bonus***

To prepare for payment of bonuses to employee (including a director-employee), a reserve for bonuses is recorded in the amount for the fiscal year based on the estimated amount of payment.

***(j) Income Taxes***

Income taxes comprise corporation, enterprise and inhabitant taxes. Deferred income taxes are recognized for temporary differences between the financial statement basis and the tax basis of assets and liabilities.

***(k) Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations.

***(l) Translation of Foreign Currency Transactions and Financial Statements***

Receivables and payables denominated in foreign currencies are translated into Japanese yen using the rate at each company's balance sheet date. The resulting exchange gains or losses are charged to current income.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company are translated at the rates used by the Company.

The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" in the net assets in the accompanying consolidated balance sheets.

***(m) Derivatives and Hedge accounting***

Japanese GAAP requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative instruments until the related gains or losses on hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged item are accounted for in the following manner:

- a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
  - ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use financial instruments to hedge future risks of market price fluctuations in accordance with their internal policies and procedures. The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instrument:	Hedged items:
Forward foreign exchange contracts	Foreign currency receivables, payables and transactions
Interest rate swap contracts	Bank loans

**(n) Goodwill**

Goodwill is amortized using the straight-line method over 10 years.

**(o) Statements of Cash Flows**

For the purpose of preparing statements of cash flows, cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding 3 months at the time of purchase.

**(p) Amounts per Share of Common Stock**

The computations of net income per share of common stock shown on the accompanying consolidated statements of income are based on the weighted-average number of shares of common stock outstanding during each fiscal year.

Diluted net income per share is not shown because no securities with delute effects such as convertible bonds and bonds with warrants have been issued.

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

**3. Standards and guidance not yet adopted**

The following guidance were issued but not yet adopted.

*“Accounting Standard for Revenue Recognition”*

*(ASBJ Statement No.29, March 30, 2018)*

*“Implementation Guidance on Accounting Standard for Revenue Recognition”*

*(ASBJ Guidance No.30, March 30, 2018)*

**(a) Overview**

The International Accounting Standard Board ("IASB") and the Financial Accounting Standard Board("FASB") jointly developed comprehensive accounting standard for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014, (IFRS No.15 by IASB and Topic 606 by FASB).

IFRS No.15 was applied for annual reporting periods beginning on or after January 2018, Topic 606 was also applied from annual reporting periods beginning December 15,2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition / the implementation guidance and issued them together.

On the ASBJ's basic policy for development of accounting standard for revenue recognition, the basic principles of IFRS No.15 were incorporated into the ASBJ Statement No.29 as a starting points, the Statement was set out, from the view point of comparability among financial statements, which is one of merits for consistency with IFRS No.15. If there are any items which should be considered in current practices in Japan, alternative treatments are added to the extent to not losing the comparability.

**(b) Effective date**

Effective from the beginning of the fiscal year ending May 31, 2022

**(c) Effects of the application of the standards**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

**4. Changes in Accounting Policies and Presentation**

**(a) “Implementation Guidance on Tax Effect Accounting”**

*(ASBJ Guidance No.28, February 16, 2018 )*

We revised the treatment of Taxable temporary difference regarding subsidiaries' stock in non-consolidated statement. This change in accounting policy is applied retroactively, therefore, the consolidated statement of previous fiscal year is after retroacted one.

As a result, the consolidated balance sheet for the previous year, deferred liabilities decreased by ¥ 215 million and retained earnings increased by ¥ 215 million compared with before retroacted application.

**(b) “Partial Amendments to Accounting Standard for Tax Effect Accounting”  
(ASBJ Statement No.28, February 16, 2018)**

We changed the presentation of deferred tax assets into investments and other assets and deferred tax liabilities into long-term liabilities. In addition, we changed the notes on tax effect accounting.

As a result, the consolidated balance sheet for the previous year, deferred assets recorded in current asset decreased by ¥ 196 million and deferred assets recorded in investments and other assets increased by ¥ 196 million.

**5. Inventories**

Inventories at May 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Finished goods.....	¥ 1,237	¥ 958
Work in progress.....	2,010	1,924
Raw materials and supplies.....	765	694
	<u>¥ 4,012</u>	<u>¥ 3,576</u>

**6. Securities**

Significant securities with no fair market value are stated at cost as follows at May 31, 2019 and 2018:

	Millions of yen	
	2019	2018
Unlisted stocks.....	¥ 5	¥ 5

**7. Short-term Bank Loans and Long-term Debt**

Short-term bank loans outstanding at May 31, 2019 and 2018 bore interest at annual rate of 2.433%.

Long-term debt at May 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Unsecured bonds.....	¥ 375	¥ 605
Loans from banks.....	8,592	6,349
(The average interest rates are 1.074% and 1.235% at May 31, 2019 and 2018)	8,967	6,954
Bonds due within one year.....	(150)	(230)
Bank loans due within one year.....	(2,664)	(2,527)
	<u>¥ 6,153</u>	<u>¥ 4,197</u>

The aggregate annual maturities of long-term debt at May 31, 2019 were as follows:

	Millions of yen
2020.....	¥ 2,664
2021.....	2,061
2022.....	1,351
2023.....	793
2024 and thereafter.....	1,724



At May 31, 2019, the following assets were pledged as collateral for bank loans.

Millions of yen

Land.....	¥	2,391
Machinery, equipment and automobile.....		51
Buildings and structures.....		1,813

## 8. Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen	
	2019	2018
Unrealized gains (losses) in securities:		
Occurrence amount.....	¥ (1)	¥ 0
Deferred gains (losses) on hedges		
Occurrence amount.....	¥ 0	¥ (0)
Foreign currency translation adjustments		
Occurrence amount.....	¥ (227)	¥ (74)
Employee retirement benefits adjustments		
Occurrence amount.....	¥ 57	¥ 146
Share of other comprehensive income of associates accounted for using equity method		
Occurrence amount.....	¥ -	¥ 26
Total other comprehensive income before tax.....	¥ (171)	¥ 98
Tax effect.....	¥ (22)	¥ (41)
Other comprehensive income, net of tax.....	¥ (193)	¥ 57

All tax effect of other comprehensive income arise from unrealized gains on securities.

## 9. Statement of cash flows

*Relation between Cash and cash equivalents*

*and amount of account title which is recorded on Consolidated Balance Sheets*

	Millions of yen	
	2019	2018
Cash and cash equivalents.....	¥ 7,060	¥ 6,899

## 10. Net defined benefits liability

The Company and S-VANCE LTD. have defined benefit pension plan. Some foreign subsidiaries have lump-sum payment plans.

### (a) Movement in retirement benefit obligations:

	Millions of yen	
	2019	2018
Retirement benefit obligation at the beginning of the period.....	¥ 4,043	¥ 3,963
Service cost.....	177	167
Interest cost.....	7	4
Actuarial gain(loss).....	(22)	11
Benefits paid.....	(146)	(102)
Others.....	21	(1)
Retirement benefit obligation at the end of the period.....	¥ 4,080	¥ 4,042

### (b) Movements in plan Assets:

	Millions of yen	
	2019	2018
Plan assets at fair value at the beginning of the period.....	¥ 3,086	¥ 2,948
Expected return on plan assets.....	30	28
Actuarial loss.....	(92)	(2)
Contributions by the employer.....	213	211
Benefits paid.....	(139)	(100)
Plan assets at fair value at the end of the period.....	¥ 3,098	¥ 3,085

### (c) Reconciliation from retirement benefit obligations and plan assets liability (asset) for retirement benefits:

	Millions of yen	
	2019	2018
Funded retirement benefits obligations.....	¥ 3,874	¥ 3,899
Plan assets.....	3,098	3,085
	776	814
Unfunded retirement benefits obligations.....	206	143
Total net liability (asset) for retirement benefits at the end of the period.....	982	957
	982	957
Liability for retirement benefits.....	982	957
Total net liability (asset) for retirement benefits at the end of the period.....	¥ 982	¥ 957

### (d) Retirement benefit costs:

	Millions of yen	
	2019	2018
Service costs.....	¥ 177	¥ 167
Interest cost on projected benefits obligation.....	7	4
Expected return on plan assets.....	(30)	(28)
Amortization of net actuarial difference.....	125	158
Past service costs.....	19	0
Severance and retirement benefits expenses.....	¥ 298	¥ 301

**(e) Accumulated adjustments retirement benefits:**

	Millions of yen	
	2019	2018
Past service costs that are yet to be recognized.....	¥ -	¥ 0
Actuarial gains and losses that are yet to be recognized.....	57	146
Total balance at the end of the period.....	¥ 57	¥ 146

**(f) The breakdown of prior service cost and actuarial loss recognized**

**in accumulated other comprehensive income before deduction of tax benefit is as follows;**

	Millions of yen	
	2019	2018
Unrecognized actuarial loss.....	569	626
Total.....	¥ 569	¥ 626

**(g) Plan assets**

	2019	2018
Bonds.....	42%	40%
Equity securities.....	20	22
General account of the insurers.....	21	21
Other.....	17	17
Total.....	100%	100%

**(h) The assumptions used in accounting for the above plans are as follows;**

	2019	2018
Discount rate.....	0.00% to 0.10%	0.00% to 0.10%
Expected long-term rates of return on plan assets.....	0.83% to 1.00%	0.83% to 1.00%
Expected rates of salary increase.....	2.30% to 4.49%	2.30% to 4.49%

**11. Research and Development Expenses**

Research and development expenses included in selling, general and administrative expenses were ¥ 536 million and ¥ 563 million for the years ended May 31, 2019 and 2018, respectively.

**12. Other Income (Expenses) - Other, net**

Other, net in other income (expenses) for the years ended May 31, 2019 and 2018 were analyzed as follows:

	Millions of yen	
	2019	2018
Loss on sale and disposal of property, plant and equipment, net.....	¥ (39)	¥ (57)
Exchange gain net.....	0	12
Loss on devaluation of currency swap.....	(113)	(55)
Gain on valuation of derivatives.....	10	30
Loss on sale of shares of affiliated company.....	(17)	-
Loss on reduction of fixed assets.....	(75)	(25)
Gain on acceptance of governmental subsidy.....	75	25
Compensation received.....	2	10
Allowance for investment loss.....	-	(21)
Other, net.....	(1)	(12)
	¥ (158)	¥ (93)

### 13. Income Taxes

Significant components of the Companies' deferred tax assets and liabilities as of May 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Deferred tax assets:		
Net defined benefits liability.....	¥ 282	¥ 287
Allowance for retirement benefits for directors and corporate auditors.....	7	7
Loss on impairment of fixed assets.....	37	37
Loss carryforwards.....	732	700
Unpaid legal welfare expenses.....	25	27
Other.....	462	549
Subtotal.....	1,545	1,607
Less valuation allowance for loss carryforwards.....	(642)	-
Less valuation allowance for total of future deductible temporary differences etc.....	(48)	-
Less valuation allowance.....	(690)	(603)
Total deferred tax assets.....	¥ 855	¥ 1,004
Deferred tax liabilities:		
Property, plant and equipment.....	(377)	(433)
Valuation loss of land.....	(103)	(103)
Other.....	(5)	(40)
Total deferred tax liabilities.....	¥ (485)	¥ (576)
Net deferred tax assets (liabilities).....	¥ 370	¥ 428

The amount of loss carryforwards, less valuation allowances for loss carryforwards and deferred tax assets relating to loss carryforwards by expiring period of tax losses at May 31, 2019 were as follows:

	Millions of Yen						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
May 31, 2019							
Loss carryforwards	¥ 150	¥ 44	¥ 18	¥ -	¥ 399	¥ 121	732
Less valuation allowances for loss carryforwards	(91)	(31)	(18)	-	(399)	(103)	(642)
Net deferred tax assets relating to loss carryforwards	¥ 59	¥ 14	¥ -	¥ -	¥ -	¥ 17	90

The effective income tax rates of the Companies at May 31, 2019 and 2018 differ from the statutory tax rates for the following reasons:

	2019	2018
Statutory tax rate.....		30.7 %
Expense not deductible for tax purpose.....		0.8
Per capita inhabitant tax.....		0.9
Different tax rates applicable to foreign subsidiaries.....	(*Note)	(9.1)
Consolidation adjustment.....		5.6
Other, net.....		(5.8)
Effective tax rate.....		23.1 %

(\*Note) We omit description in 2019 because the difference between statutory tax rate and effective tax rate are within 5%.

## **14. Financial instruments**

### ***(a) Status of Financial Instruments Held by the Company***

(Our policy for Financial Instruments)

The usage of funds within the group is limited to short-term bank deposits and so on.

Long-term debt for capital investment etc. are raised by secured loans from financial institution such as banks.

We utilize derivatives in order to avoid the risk mentioned later and we do not partake in speculation.

(The contents and risk of Financial Instruments)

Notes and accounts receivable balances are exposed to customers' payment risk.

We monitor due dates and customer credit limits and the executive officer in charge receives regular reports of any overdue receivables and deals with each one individually and takes necessary steps to reduce the risk.

Receivables in foreign currencies are exposed to exchange rate risk and we arrange forward foreign exchange contracts in order to hedge this risk.

Investment in securities is mainly stocks which we have for business with clients or for capital tie-up. These securities are exposed to market risk.

Payment terms of notes and accounts payable are mainly within one year.

Due to the import of raw material etc., some of those payables are in foreign currencies and are exposed to exchange rate risk. In order to avoid this risk, we basically hedge this risk by arranging forward foreign exchange contracts.

Short-term bank loans are mainly for working capital requirements and long-term debt are mainly for capital investment with maximum repayment term of eight years.

Some of these loans are exposed to interest rate risk due to the use of variable rate contracts and we hedge this risk by utilizing derivatives. (Interest rate swaps.)

Forward foreign exchange contracts are used to hedge the exchange rate risk of receivables and payables in foreign currencies.

For all information relating to hedging policy and the method used to measure the effectiveness of hedging, please refer to the note 2 (n) Derivatives and Hedge accounting to Consolidated Financial Statements.

(Risk management of Financial Instruments)

#### **\* Management of credit risk (Risk of default of client)**

Based on credit limit management regulations, the General Manager of each business unit monitors the credit situation of main clients, not only by controlling due dates and credit limits but also by working to understand the customer's financial situation and risk of business failure and, in turn, trying to minimize this risk.

With regard to subsidiary companies, we exercise the same kind of procedure based on our credit limit management regulations.

With regard to derivative transactions, we only deal with high rated financial institutions and as such institutions are not exposed to credit risk.

#### **\* Management of Market risk (Exchange rate risk, interest rate risk etc.)**

The Company and some of consolidated subsidiaries hedge the risk of variable exchange rates in each currency and on a monthly basis. And basically we hedge this risk by arranging forward foreign exchange contracts.

Also, the Company utilizes interest rate swap contracts in order to control variable risk of interest of loans.

With regard to investments in securities, we regularly check the market value and financial situation of the issuing company (client in business) and continuously review our holdings by taking our business situation into consideration.

Each month the Company's board of directors approves the derivative transactions which are executed in accordance with internal rules prescribing authority and transaction limits.

**(b) Fair values of financial instruments**

Book value, fair value and differences, as of May 31, 2019 and 2018 were as follows:

Millions of yen

	May 31, 2019		
	Book Value	Fair Value	Difference
Cash on hand and in banks.....	¥ 7,060	¥ 7,060	¥ -
Notes and accounts receivable.....	12,525	12,527	2
Investments in securities.....	8	8	-
Total assets.....	19,593	19,595	2
Notes and accounts payable.....	9,097	9,097	-
Short-term bank loans.....	2,404	2,404	-
Bonds payable.....	375	374	(1)
Long-term bank Loans.....	8,592	8,614	22
Lease obligations.....	2,183	2,198	15
Total liabilities.....	22,651	22,687	36
Derivative transactions.....	(115)	(115)	-
	May 31, 2018		
	Book Value	Fair Value	Difference
Cash on hand and in banks.....	¥ 6,899	¥ 6,899	¥ -
Notes and accounts receivable.....	12,070	12,071	1
Investments in securities.....	10	10	-
Total assets.....	18,979	18,980	1
Notes and accounts payable.....	9,294	9,294	-
Short-term bank loans.....	5,438	5,438	-
Bonds payable.....	605	604	(1)
Long-term bank Loans.....	6,349	6,354	5
Lease obligations.....	2,165	2,167	2
Total liabilities.....	23,851	23,857	6
Derivative transactions.....	(104)	(104)	-

(\*Note)

Methods of calculating the fair value of financial instruments and matters related to securities and derivative transactions.

(1) Cash on hand and in banks

Payment of these shall be settled within the short term and values will be based on book value because fair value approximates book value.

(2) Notes and accounts receivable

The fair values are calculated by discounting expected future cash flows using the current rate of high-security bond applicable to relevant receivable periods.

(3) Investments in securities

Fair value shall be based on market price.

(4) Notes and accounts payable (5) Short-term bank loans

Payment of these shall be settled within the short term and values will be based on book value because fair value approximates book value.

(6) Bonds payable

Fair value shall be calculated as present value by discounting the total amount of principal and interest by the interest rate of a similar new bond.

(7) Long term bank loans

Fair value shall be calculated as present value by discounting the total amount of principal and interest by the interest rate of a similar new loan.

Long term debt with variable interest rates are given special accounting treatment where we hedge risk by interest rate swap and the value shall be based on the total amount of principal and interest (after hedged with the interest rate swap) discounted by a reasonable interest rate for a similar new loan.

(8) Lease obligation

The fair values of lease obligation are calculated by discounting future cash flows of the principal and interest using the current interest rate applicable to similar lease.

## 15. Derivatives

The following tables summarize market value information as of May 31, 2019 and 2018 of derivative transactions:

**(a) Derivative transactions for which hedge accounting is not applied.**

(1) Currency related

Millions of yen

Type	Details	May 31, 2019			
		Contract amount	Over one year	Market value	Unrecognized profit
Items not traded on markets	Currency swap				
	Receive: Foreign currency	¥ 2,712	¥ 2,354	¥ (132)	¥ (132)
	Pay: Japanese yen				
	Receive: Japanese yen	¥ 210	¥ 140	¥ 17	¥ 17
	Pay: Foreign currency				
		May 31, 2018			
Type	Details	Contract amount	Over one year	Market value	Unrecognized profit
Items not traded on markets	Currency swap				
	Receive: Foreign currency	¥ 3,102	¥ 2,787	¥ (104)	¥ (104)
	Pay: Japanese yen				
	Receive: Japanese yen	¥ 287	¥ 215	¥ 30	¥ 30
	Pay: Foreign currency				

**(b) Derivative transactions for which hedge accounting is applied.**

(1) Currency related

**Year ended May 31, 2019**

We omit the presentation because it has no importance.

**Year ended May 31, 2018**

We omit the presentation because it has no importance.

## 16. Segment Information

### 1) General information about reportable segments

The Sanko Gosei group mainly manufactures and sells plastic products and mold tools for the Automobile, OA equipment and household appliance or other fields in domestic and overseas markets.

The Sanko Gosei Group's reportable segments are components of the Group whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available.

They are independent management units, and each overseas affiliated company draws up each local comprehensive strategy about a product to handle and operates business.

Accordingly, the Sanko Gosei group is comprised of four geographical segments, - Japan, Europe, Asia and North America - based on manufacturing and selling system.

### 2) Basis of measurement about profit or loss, assets, segment liabilities and other material items by reportable segment

The accounting policies for the reportable segments are basically the same as those described in significant accounting policies in note 2, Presenting Consolidated Financial Statements.

### 3) Information about reported segment profit or loss, segment assets, and other material items by reportable segments.

Millions of yen

	May 31, 2019						
	Japan	Europe	Asia	North America	Total	Adjustments	Consolidated
Sales:							
Outside.....	¥ 24,764	¥ 7,289	¥ 17,161	¥ 5,933	¥ 55,147	– ¥	55,147
Inter-segment.....	2,482	15	1,067	3	3,567	(3,567)	–
Total sales.....	27,246	7,304	18,228	5,936	58,714	(3,567)	55,147
Operating income.....	¥ 1,538	¥ 752	¥ 556	¥ 51	¥ 2,897	¥ (644)	2,253
Total assets.....	¥ 21,689	¥ 4,200	¥ 14,922	¥ 5,927	¥ 46,738	¥ 1,380	48,118
Other items:							
Depreciation.....	¥ 969	¥ 226	¥ 1,042	¥ 311	¥ 2,548	¥ 75	2,623
Amortization.....	¥ –	¥ –	¥ –	¥ 30	¥ 30	¥ –	30
Increase in fixed assets.....	¥ 1,906	¥ 208	¥ 1,717	¥ 616	¥ 4,447	¥ 43	4,490

(\*Notes)

- Adjustments of segment income and loss include elimination of intersegment transactions of ¥ 29 million and corporate expenses not allocated to each reportable segment of ¥ 673 million.
- Adjustments were made to reconcile segment income to operating income in Consolidated Statements of Income.

Millions of yen

	May 31, 2018						
	Japan	Europe	Asia	North America	Total	Adjustments	Consolidated
Sales:							
Outside.....	¥ 24,547	¥ 8,370	¥ 18,447	¥ 6,975	¥ 58,339	– ¥	58,339
Inter-segment.....	2,365	46	903	6	3,320	(3,320)	–
Total sales.....	26,912	8,416	19,350	6,981	61,659	(3,320)	58,339
Operating income (loss).....	¥ 1,643	¥ 816	¥ 781	¥ 257	¥ 3,497	¥ (652)	2,845
Total assets.....	¥ 20,483	¥ 4,662	¥ 14,544	¥ 5,601	¥ 45,290	¥ 291	45,581
Other items:							
Depreciation.....	¥ 835	¥ 249	¥ 995	¥ 282	¥ 2,361	¥ 73	2,434
Amortization.....	¥ –	¥ –	¥ –	¥ 30	¥ 30	¥ –	30
Increase in fixed assets.....	¥ 1,562	¥ 552	¥ 1,471	¥ 296	¥ 3,881	¥ 16	3,897

(\*Notes)

- Adjustments of segment income and loss include elimination of intersegment transactions of ¥ 38 million and corporate expenses not allocated to each reportable segment of ¥ 690 million.
- Adjustments were made to reconcile segment income to operating income in Consolidated Statements of Income.



[Related Information]

1. Information by product / service		Millions of yen		
		May 31, 2019		
		Plastic products	Mold tools	Total
Sales to outside customers.....	¥	45,595	¥ 9,552	¥ 55,147
		May 31, 2018		
		Plastic products	Mold tools	Total
Sales to outside customers.....	¥	47,235	¥ 11,104	¥ 58,339

2. Information by region / country		Millions of yen				
		May 31, 2019				
		Japan	Europe	Asia	North America	Total
Sales.....	¥	23,036	¥ 7,954	¥ 17,493	¥ 6,664	¥ 55,147
Property, plant and equipment, less accumulated depreciation.....		9,030	1,207	7,810	3,440	21,487
		May 31, 2018				
		Japan	Europe	Asia	North America	Total
Sales.....	¥	22,839	¥ 9,019	¥ 18,872	¥ 7,609	¥ 58,339
Property, plant and equipment, less accumulated depreciation.....		8,168	1,302	7,242	3,121	19,833

(\*Notes)

- Sales are classified according to regions or countries where customers are located.
- As regards sales in Asia, the Thailand is ¥ 7,037 million and ¥ 7,733 million for the years ended May 31, 2019 and 2018.

[Additional Information for Amortization of Goodwill and Goodwill at ending balance]

		Millions of yen						
		May 31, 2019						
		Japan	Europe	Asia	North America	Total	Adjustments	Consolidated
Depreciation amount.....	¥	-	¥ -	¥ -	¥ 30	¥ 30	¥ -	¥ 30
End of balance.....		-	-	-	177	177	-	177

		Millions of yen						
		May 31, 2018						
		Japan	Europe	Asia	North America	Total	Adjustments	Consolidated
Depreciation amount.....	¥	-	¥ -	¥ -	¥ 30	¥ 30	¥ -	¥ 30
End of balance.....		-	-	-	205	205	-	205

## Independent Auditor's Report

To the Board of Directors of SANKO GOSEI Ltd.:

We have audited the accompanying consolidated financial statements of SANKO GOSEI Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at May 31, 2019 and 2018, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SANKO GOSEI Ltd. and its consolidated subsidiaries as at May 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

*KPMG AZSA LLC*

*KPMG AZSA LLC*  
August 30, 2019  
Tokyo, Japan

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