

Translation

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**Summary of Consolidated Financial Results
for the Year Ended May 31, 2019
(Based on Japanese GAAP)**

July 3, 2019

Company name: Sanko Gosei Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7888 URL <http://www.sankogosei.co.jp>
 Representative: Representative Director/President Kenso Kuroda
 Inquiries: Director/Executive Officer Akira Serikawa TEL 0763-52-7105
 Scheduled date of ordinary general meeting of shareholders: August 28, 2019
 Scheduled date to file Securities Report: August 29, 2019
 Scheduled date to commence dividend payments: August 29, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended May 31, 2019 (from June 1, 2018 to May 31, 2019)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended May 31, 2019	55,146	(5.5)	2,253	(20.8)	2,065	(21.2)	1,352	(27.1)
Year ended May 31, 2018	58,339	3.9	2,844	20.6	2,622	16.4	1,856	56.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended May 31, 2019	45.79	–	7.5	4.4	4.1
Year ended May 31, 2018	72.84	–	12.1	5.9	4.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2019	48,117	19,985	40.5	638.66
As of May 31, 2018	45,649	16,961	36.0	644.54

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended May 31, 2019	2,985	(2,799)	74	7,059
Year ended May 31, 2018	4,036	(2,953)	(625)	6,898

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended May 31, 2018	–	6.00	–	6.00	12.00	305	16.5	2.0
Year ended May 31, 2019	–	7.00	–	7.00	14.00	426	30.6	2.2
Year ending May 31, 2020 (Forecast)	–	7.00	–	7.00	14.00		28.5	

3. Forecast of consolidated financial results for the year ending May 31, 2020 (from June 1, 2019 to May 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending November 30, 2019	28,000	1.0	1,200	1.6	1,000	(3.2)	700	(6.0)	22.96
Full year	58,000	5.2	2,700	19.8	2,300	11.4	1,500	10.9	49.20

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2019	30,688,569 shares	As of May 31, 2018	25,688,569 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	204,630 shares	As of May 31, 2018	204,497 shares
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Average number of shares during the period

Year ended May 31, 2019	29,540,276 shares	Year ended May 31, 2018	25,484,130 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	6,898	7,059
Notes and accounts receivable - trade	12,069	12,524
Merchandise and finished goods	958	1,236
Work in process	1,924	2,010
Raw materials and supplies	693	764
Other	1,701	1,835
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,245	25,431
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,689	17,485
Accumulated depreciation	(10,437)	(10,879)
Buildings and structures, net	6,251	6,606
Machinery, equipment and vehicles	24,792	25,985
Accumulated depreciation	(16,929)	(17,787)
Machinery, equipment and vehicles, net	7,863	8,197
Tools, furniture and fixtures	8,001	8,101
Accumulated depreciation	(7,125)	(7,073)
Tools, furniture and fixtures, net	876	1,028
Land	4,471	4,540
Construction in progress	368	1,114
Total property, plant and equipment	19,832	21,487
Intangible assets		
Goodwill	205	176
Other	410	406
Total intangible assets	616	583
Investments and other assets		
Investment securities	395	13
Deferred tax assets	665	426
Other	199	176
Allowance for doubtful accounts	(29)	—
Allowance for investment loss	(276)	—
Total investments and other assets	955	616
Total non-current assets	21,404	22,686
Total assets	45,649	48,117

(Millions of yen)

	As of May 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,293	9,097
Short-term loans payable	5,438	2,404
Current portion of long-term loans payable	2,526	2,663
Current portion of bonds	230	150
Lease obligations	762	610
Income taxes payable	215	257
Provision for bonuses	169	131
Provision for bonuses for directors (and other officers)	36	31
Other	3,027	3,564
Total current liabilities	21,702	18,909
Non-current liabilities		
Bonds payable	375	225
Long-term loans payable	3,821	5,928
Lease obligations	1,402	1,572
Deferred tax liabilities	237	56
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	956	981
Other	169	436
Total non-current liabilities	6,986	9,222
Total liabilities	28,688	28,132
Net assets		
Shareholders' equity		
Capital stock	2,885	4,008
Capital surplus	2,964	4,087
Retained earnings	12,095	13,081
Treasury shares	(43)	(43)
Total shareholders' equity	17,901	21,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(4)
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	(1,112)	(1,335)
Remeasurements of defined benefit plans	(360)	(325)
Total accumulated other comprehensive income	(1,476)	(1,665)
Non-controlling interests	535	516
Total net assets	16,961	19,985
Total liabilities and net assets	45,649	48,117

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Net sales	58,339	55,146
Cost of sales	48,925	46,313
Gross profit	9,413	8,833
Selling, general and administrative expenses	6,569	6,580
Operating profit	2,844	2,253
Non-operating income		
Interest income	26	25
Dividend income	1	1
Foreign exchange gains	11	0
Rent income	63	63
Gain on sales of scraps	21	24
Other	112	90
Total non-operating income	236	205
Non-operating expenses		
Interest expenses	268	225
Share of loss of entities accounted for using equity method	22	–
Taxes and dues	7	40
Depreciation	76	70
Other	83	55
Total non-operating expenses	458	393
Ordinary profit	2,622	2,065
Extraordinary income		
Gain on sales of non-current assets	6	11
State subsidy	25	75
Total extraordinary income	32	86
Extraordinary losses		
Loss on sales of non-current assets	7	6
Loss on retirement of non-current assets	56	43
Loss on sales of shares of subsidiaries and associates	–	16
Loss on reduction of non-current assets	25	75
swap loss	55	113
Provision of allowance for investment loss	21	–
Total extraordinary losses	165	255
Profit before income taxes	2,488	1,896
Income taxes - current	500	522
Income taxes for prior periods	–	42
Income taxes - deferred	73	(7)
Total income taxes	574	557
Profit	1,914	1,338
Profit (loss) attributable to non-controlling interests	57	(14)
Profit attributable to owners of parent	1,856	1,352

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Profit	1,914	1,338
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(73)	(227)
Remeasurements of defined benefit plans, net of tax	104	35
Share of other comprehensive income of entities accounted for using equity method	25	–
Total other comprehensive income	57	(193)
Comprehensive income	1,971	1,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,917	1,163
Comprehensive income attributable to non-controlling interests	54	(19)

Consolidated statements of changes in equity

Fiscal year ended May 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,885	2,964	10,303	(43)	16,109
Cumulative effects of changes in accounting policies			215		215
Restated balance	2,885	2,964	10,518	(43)	16,325
Changes of items during period					
Issuance of new shares					
Dividends of surplus			(280)		(280)
Profit attributable to owners of parent			1,856		1,856
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,576	(0)	1,576
Balance at end of current period	2,885	2,964	12,095	(43)	17,901

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(3)	–	(1,067)	(465)	(1,537)	479	15,052
Cumulative effects of changes in accounting policies							215
Restated balance	(3)	–	(1,067)	(465)	(1,537)	479	15,268
Changes of items during period							
Issuance of new shares							
Dividends of surplus							(280)
Profit attributable to owners of parent							1,856
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	0	(0)	(44)	104	61	55	116
Total changes of items during period	0	(0)	(44)	104	61	55	1,692
Balance at end of current period	(3)	(0)	(1,112)	(360)	(1,476)	535	16,961

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,885	2,964	12,095	(43)	17,901
Cumulative effects of changes in accounting policies					
Restated balance	2,885	2,964	12,095	(43)	17,901
Changes of items during period					
Issuance of new shares	1,123	1,123			2,246
Dividends of surplus			(366)		(366)
Profit attributable to owners of parent			1,352		1,352
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,123	1,123	986	(0)	3,232
Balance at end of current period	4,008	4,087	13,081	(43)	21,134

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(3)	(0)	(1,112)	(360)	(1,476)	535	16,961
Cumulative effects of changes in accounting policies							
Restated balance	(3)	(0)	(1,112)	(360)	(1,476)	535	16,961
Changes of items during period							
Issuance of new shares							2,246
Dividends of surplus							(366)
Profit attributable to owners of parent							1,352
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(1)	0	(223)	35	(189)	(19)	(208)
Total changes of items during period	(1)	0	(223)	35	(189)	(19)	3,024
Balance at end of current period	(4)	–	(1,335)	(325)	(1,665)	516	19,985

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,488	1,896
Depreciation	2,434	2,623
Amortization of goodwill	29	29
Share of loss (profit) of entities accounted for using equity method	22	–
Increase (decrease) in allowance for doubtful accounts	(3)	(29)
Increase (decrease) in allowance for investment loss	21	(276)
Increase (decrease) in retirement benefit liability	86	42
Interest and dividend income	(28)	(27)
Interest expenses	268	225
Loss (gain) on sales of shares of subsidiaries and associates	–	16
Gain on sales of property, plant and equipment	(6)	(11)
Loss on sales and retirement of property, plant and equipment	7	6
Loss on retirement of property, plant and equipment	56	43
Loss/Gain On Swap Op CF	55	113
Decrease (increase) in notes and accounts receivable - trade	103	(637)
Decrease (increase) in inventories	290	(463)
Decrease (increase) in other assets	(228)	(135)
Increase (decrease) in notes and accounts payable - trade	(398)	(43)
Increase (decrease) in other liabilities	(243)	298
Other, net	(90)	45
Subtotal	4,866	3,717
Interest and dividend income received	28	27
Interest expenses paid	(263)	(220)
Income taxes paid	(595)	(538)
Net cash provided by (used in) operating activities	4,036	2,985
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(2,940)	(2,734)
Proceeds from sales of property, plant and equipment	18	27
Other, net	(31)	(91)
Net cash provided by (used in) investing activities	(2,953)	(2,799)

(Millions of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,579	(3,029)
Proceeds from long-term loans payable	274	5,120
Repayments of long-term loans payable	(2,823)	(2,876)
Redemption of bonds	(470)	(230)
Proceeds from issuance of common shares	–	2,228
Repayments of lease obligations	(905)	(771)
Cash dividends paid	(280)	(366)
Dividends paid to non-controlling interests	–	(0)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(625)	74
Effect of exchange rate change on cash and cash equivalents	(2)	(100)
Net increase (decrease) in cash and cash equivalents	454	161
Cash and cash equivalents at beginning of period	6,443	6,898
Cash and cash equivalents at end of period	6,898	7,059