

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended August 31, 2019 (Based on Japanese GAAP)

October 9, 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 to file Quarterly Securities Report: October 11, 2019  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended August 31, 2019 (from June 1, 2019 to August 31, 2019)

(1) Consolidated operating results (cumulative)

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	%
Three months ended August 31, 2019	12,980	0.5	120	(74.4)	(20)	–	(45)	–
Three months ended August 31, 2018	12,913	(8.7)	470	(24.9)	392	(29.1)	325	(25.5)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended August 31, 2019	(1.50)		–	
Three months ended August 31, 2018	12.18		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2019	48,474	19,334	38.9	618.27
As of May 31, 2019	48,117	19,985	40.5	638.66

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended May 31, 2019	–	7.00	–	7.00	14.00
Year ending May 31, 2020	–	–	–	–	–
Year ending May 31, 2020 (Forecast)	–	7.00	–	7.00	14.00

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 three months ended August 31, 2019  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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

(4) Number of issued shares (common shares)

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

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

As of August 31, 2019	204,637 shares	As of May 31, 2019	204,630 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended August 31, 2019	30,483,939 shares	Three months ended August 31, 2018	26,739,964 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of May 31, 2019	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	7,059	6,343
Notes and accounts receivable - trade	12,524	11,364
Merchandise and finished goods	1,236	1,301
Work in process	2,010	2,688
Raw materials and supplies	764	770
Other	1,835	2,403
Allowance for doubtful accounts	(0)	(0)
Total current assets	25,431	24,871
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,606	7,653
Machinery, equipment and vehicles, net	8,197	8,168
Tools, furniture and fixtures, net	1,028	1,027
Land	4,540	4,533
Construction in progress	1,114	1,034
Total property, plant and equipment	21,487	22,418
Intangible assets		
Goodwill	176	164
Other	406	405
Total intangible assets	583	569
Investments and other assets		
Investment securities	13	13
Other	602	600
Total investments and other assets	616	614
Total non-current assets	22,686	23,602
Total assets	48,117	48,474

(Millions of yen)

	As of May 31, 2019	As of August 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	9,097	9,939
Short-term borrowings	2,404	2,004
Current portion of long-term borrowings	2,663	2,613
Current portion of bonds	150	150
Income taxes payable	257	66
Provision for bonuses	131	109
Provision for bonuses for directors (and other officers)	31	–
Other	4,174	4,537
<b>Total current liabilities</b>	<b>18,909</b>	<b>19,421</b>
<b>Non-current liabilities</b>		
Bonds payable	225	225
Long-term borrowings	5,928	5,843
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	981	969
Other	2,064	2,656
<b>Total non-current liabilities</b>	<b>9,222</b>	<b>9,718</b>
<b>Total liabilities</b>	<b>28,132</b>	<b>29,139</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	13,081	12,789
Treasury shares	(43)	(43)
<b>Total shareholders' equity</b>	<b>21,134</b>	<b>20,842</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(4)	(5)
Remeasurements of defined benefit plans	(325)	(312)
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	(1,335)	(1,677)
<b>Total accumulated other comprehensive income</b>	<b>(1,665)</b>	<b>(1,995)</b>
<b>Non-controlling interests</b>	<b>516</b>	<b>487</b>
<b>Total net assets</b>	<b>19,985</b>	<b>19,334</b>
<b>Total liabilities and net assets</b>	<b>48,117</b>	<b>48,474</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended August 31, 2018	Three months ended August 31, 2019
Net sales	12,913	12,980
Cost of sales	10,855	11,171
Gross profit	2,058	1,808
Selling, general and administrative expenses	1,587	1,688
Operating profit	470	120
Non-operating income		
Interest and dividend income	6	5
Rental income	15	16
Other	23	16
Total non-operating income	45	38
Non-operating expenses		
Interest expenses	45	63
Foreign exchange losses	6	18
Loss on Derivative	–	66
Other	71	30
Total non-operating expenses	124	179
Ordinary profit (loss)	392	(20)
Extraordinary income		
Gain on sales of non-current assets	4	0
National subsidies	–	39
Total extraordinary income	4	39
Extraordinary losses		
Loss on retirement of non-current assets	4	15
Loss on sales of non-current assets	1	3
Loss on sales of shares of subsidiaries and associates	16	–
Loss on Swap EL	12	–
Loss on tax purpose reduction entry of non-current assets	–	39
Total extraordinary losses	34	59
Profit (loss) before income taxes	362	(39)
Income taxes	35	27
Profit (loss)	327	(67)
Profit (loss) attributable to non-controlling interests	1	(21)
Profit (loss) attributable to owners of parent	325	(45)

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended August 31, 2018	Three months ended August 31, 2019
Profit (loss)	327	(67)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(99)	(349)
Remeasurements of defined benefit plans, net of tax	15	12
Total other comprehensive income	(84)	(336)
Comprehensive income	242	(404)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	249	(375)
Comprehensive income attributable to non-controlling interests	(6)	(29)