

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended November 30, 2019
(Based on Japanese GAAP)**

January 9, 2020

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: January 10, 2020
 Scheduled date to commence dividend payments: February 3, 2020
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2019 (from June 1, 2019 to November 30, 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	%
Six months ended November 30, 2019	28,876	4.1	640	(45.8)	351	(66.0)	249	(66.5)
Six months ended November 30, 2018	27,733	(8.0)	1,181	(21.0)	1,032	(23.7)	744	(27.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2019	8.18		-	
Six months ended November 30, 2018	26.04		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2019	51,041	20,086	38.4	643.27
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	-	7.00	-	-	-
Year ending May 31, 2020 (Forecast)	-	-	-	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
Full year	58,000	5.2	1,600	(29.0)	1,000	(51.6)	700	(48.3)	22.96

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 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 November 30, 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 November 30, 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)

Six months ended November 30, 2019	30,483,935 shares	Six months ended November 30, 2018	28,601,741 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	7,059	6,354
Notes and accounts receivable - trade	12,524	13,233
Merchandise and finished goods	1,236	1,197
Work in process	2,010	2,542
Raw materials and supplies	764	809
Other	1,835	2,419
Allowance for doubtful accounts	(0)	(0)
Total current assets	25,431	26,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,606	7,739
Machinery, equipment and vehicles, net	8,197	8,467
Tools, furniture and fixtures, net	1,028	1,421
Land	4,540	4,695
Construction in progress	1,114	990
Total property, plant and equipment	21,487	23,315
Intangible assets		
Goodwill	176	162
Other	406	411
Total intangible assets	583	573
Investments and other assets		
Investment securities	13	15
Other	602	579
Total investments and other assets	616	595
Total non-current assets	22,686	24,484
Total assets	48,117	51,041

(Millions of yen)

	As of May 31, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,097	10,206
Short-term borrowings	2,404	2,056
Current portion of long-term borrowings	2,663	2,707
Current portion of bonds	150	150
Income taxes payable	257	124
Provision for bonuses	131	123
Provision for bonuses for directors (and other officers)	31	–
Other	4,174	4,545
Total current liabilities	18,909	19,913
Non-current liabilities		
Bonds payable	225	150
Long-term borrowings	5,928	6,709
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	981	962
Other	2,064	3,196
Total non-current liabilities	9,222	11,041
Total liabilities	28,132	30,954
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	13,081	13,084
Treasury shares	(43)	(43)
Total shareholders' equity	21,134	21,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Remeasurements of defined benefit plans	(325)	(299)
Foreign currency translation adjustment	(1,335)	(1,224)
Total accumulated other comprehensive income	(1,665)	(1,528)
Non-controlling interests	516	476
Total net assets	19,985	20,086
Total liabilities and net assets	48,117	51,041

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Net sales	27,733	28,876
Cost of sales	23,254	24,834
Gross profit	4,479	4,042
Selling, general and administrative expenses	3,297	3,401
Operating profit	1,181	640
Non-operating income		
Interest and dividend income	16	14
Rental income	31	32
Other	43	26
Total non-operating income	90	73
Non-operating expenses		
Interest expenses	127	167
Foreign exchange losses	26	31
Loss on Derivative	–	112
Other	86	51
Total non-operating expenses	239	362
Ordinary profit	1,032	351
Extraordinary income		
Gain on sales of non-current assets	6	0
National subsidies	–	39
Total extraordinary income	6	39
Extraordinary losses		
Loss on retirement of non-current assets	7	29
Loss on sales of non-current assets	1	5
Loss on sales of shares of subsidiaries and associates	16	–
Loss on swap	39	–
Extra retirement payments	–	9
Loss on tax purpose reduction entry of non-current assets	–	39
Total extraordinary losses	65	84
Profit before income taxes	973	306
Income taxes	214	108
Profit	759	198
Profit (loss) attributable to non-controlling interests	14	(50)
Profit attributable to owners of parent	744	249

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Profit	759	198
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	118	121
Remeasurements of defined benefit plans, net of tax	34	25
Total other comprehensive income	152	148
Comprehensive income	911	347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	892	386
Comprehensive income attributable to non-controlling interests	19	(39)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Cash flows from operating activities		
Profit before income taxes	973	306
Depreciation	1,275	1,469
Amortization of goodwill	15	14
Increase (decrease) in allowance for doubtful accounts	(29)	0
Increase (decrease) in allowance for investment loss	(276)	–
Increase (decrease) in retirement benefit liability	14	51
Interest and dividend income	(16)	(14)
Interest expenses	127	167
Loss (gain) on sales of shares of subsidiaries and associates	16	–
Loss (gain) on sales of property, plant and equipment	(5)	5
Loss on retirement of property, plant and equipment	7	29
Loss(Gain) on swap	39	–
Loss (gain) on valuation of derivatives	–	112
Decrease (increase) in trade receivables	(550)	(596)
Decrease (increase) in inventories	173	(518)
Decrease (increase) in other asset	227	(522)
Increase (decrease) in trade payables	(401)	1,028
Increase (decrease) in other liability	(109)	160
Other, net	114	20
Subtotal	1,598	1,713
Interest and dividends received	16	14
Interest paid	(122)	(178)
Income taxes paid	(275)	(288)
Net cash provided by (used in) operating activities	1,216	1,261
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,543)	(1,714)
Proceeds from sales of property, plant and equipment	20	3
Other, net	(53)	(93)
Net cash provided by (used in) investing activities	(1,576)	(1,805)

(Millions of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,029)	(403)
Proceeds from long-term loan payable	4,660	2,231
Repayments of long-term borrowings	(1,391)	(1,408)
Redemption of bonds	(155)	(75)
Proceeds from issuance of shares	2,228	–
Repayments of lease obligations	(410)	(371)
Dividends paid	(152)	(213)
Dividends paid to non-controlling interests	(0)	–
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	1,750	(241)
Effect of exchange rate change on cash and cash equivalents	137	79
Net increase (decrease) in cash and cash equivalents	1,528	(704)
Cash and cash equivalents at beginning of period	6,898	7,059
Cash and cash equivalents at end of period	8,426	6,354