

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended February 29, 2020 (Based on Japanese GAAP)

April 7, 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: April 13, 2020
 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 nine months ended February 29, 2020 (from June 1, 2019 to February 29, 2020)

(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	%
Nine months ended February 29, 2020	41,524	1.0	637	(54.0)	245	(79.2)	84	(88.4)
Nine months ended February 28, 2019	41,108	(6.1)	1,388	(30.3)	1,178	(35.8)	729	(44.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended February 29, 2020	2.76		–	
Nine months ended February 28, 2019	24.96		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	50,895	19,632	37.7	629.11
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 nine months ended February 29, 2020
(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 February 29, 2020	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 February 29, 2020	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)

Nine months ended February 29, 2020	30,483,934 shares	Nine months ended February 28, 2019	29,222,259 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	7,059	6,035
Notes and accounts receivable - trade	12,524	12,776
Merchandise and finished goods	1,236	1,123
Work in process	2,010	3,299
Raw materials and supplies	764	825
Other	1,835	2,484
Allowance for doubtful accounts	(0)	(0)
Total current assets	25,431	26,544
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,606	7,660
Machinery, equipment and vehicles, net	8,197	8,850
Tools, furniture and fixtures, net	1,028	1,403
Land	4,540	4,678
Construction in progress	1,114	620
Total property, plant and equipment	21,487	23,212
Intangible assets		
Goodwill	176	154
Other	406	383
Total intangible assets	583	538
Investments and other assets		
Investment securities	13	15
Other	602	585
Total investments and other assets	616	600
Total non-current assets	22,686	24,351
Total assets	48,117	50,895

(Millions of yen)

	As of May 31, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,097	9,966
Short-term borrowings	2,404	2,010
Current portion of long-term borrowings	2,663	2,677
Current portion of bonds	150	150
Income taxes payable	257	68
Provision for bonuses	131	96
Provision for bonuses for directors (and other officers)	31	–
Other	4,174	4,070
Total current liabilities	18,909	19,040
Non-current liabilities		
Bonds payable	225	150
Long-term borrowings	5,928	7,843
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	981	935
Other	2,064	3,270
Total non-current liabilities	9,222	12,222
Total liabilities	28,132	31,262
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	13,081	12,706
Treasury shares	(43)	(43)
Total shareholders' equity	21,134	20,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Deferred gains or losses on hedges	–	0
Remeasurements of defined benefit plans	(325)	(286)
Foreign currency translation adjustment	(1,335)	(1,290)
Total accumulated other comprehensive income	(1,665)	(1,581)
Non-controlling interests	516	454
Total net assets	19,985	19,632
Total liabilities and net assets	48,117	50,895

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Net sales	41,108	41,524
Cost of sales	34,772	35,926
Gross profit	6,336	5,598
Selling, general and administrative expenses	4,948	4,960
Operating profit	1,388	637
Non-operating income		
Interest and dividend income	26	18
Rental income	47	50
Other	52	41
Total non-operating income	126	110
Non-operating expenses		
Interest expenses	178	244
Foreign exchange losses	36	30
Loss on Derivative	4	154
Other	117	72
Total non-operating expenses	336	502
Ordinary profit	1,178	245
Extraordinary income		
Gain on sales of non-current assets	10	3
National subsidies	38	39
Total extraordinary income	48	43
Extraordinary losses		
Loss on retirement of non-current assets	23	38
Loss on sales of non-current assets	4	7
Loss on sales of shares of subsidiaries and associates	16	–
Loss on Swap EL	82	–
Extra retirement payments	–	9
Loss on tax purpose reduction entry of non-current assets	38	39
Total extraordinary losses	165	94
Profit before income taxes	1,061	194
Income taxes	287	169
Income taxes for prior periods	40	–
Profit	734	25
Profit (loss) attributable to non-controlling interests	4	(59)
Profit attributable to owners of parent	729	84

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Profit	734	25
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	64	42
Remeasurements of defined benefit plans, net of tax	54	38
Total other comprehensive income	118	81
Comprehensive income	852	106
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	845	168
Comprehensive income attributable to non-controlling interests	7	(61)