

Translation

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## Summary of Consolidated Financial Results for the Year Ended May 31, 2020 (Based on Japanese GAAP)

July 13, 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 of ordinary general meeting of shareholders: August 26, 2020  
 Scheduled date to file Securities Report: August 27, 2020  
 Scheduled date to commence dividend payments: August 27, 2020  
 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, 2020 (from June 1, 2019 to May 31, 2020)

#### (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, 2020	50,716	(8.0)	694	(69.2)	199	(90.3)	(406)	–
Year ended May 31, 2019	55,146	(5.5)	2,253	(20.8)	2,065	(21.2)	1,352	(27.1)

	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, 2020	(13.32)	–	(2.2)	0.4	1.4
Year ended May 31, 2019	45.79	–	7.5	4.4	4.1

#### (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, 2020	48,012	18,551	37.9	596.37
As of May 31, 2019	48,117	19,985	40.5	638.66

#### (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, 2020	1,608	(2,779)	1,727	7,499
Year ended May 31, 2019	2,985	(2,799)	74	7,059

### 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, 2019	–	7.00	–	7.00	14.00	426	30.6	2.2
Year ended May 31, 2020	–	7.00	–	2.00	9.00	274	–	1.5
Year ending May 31, 2021 (Forecast)	–	2.00	–	4.00	6.00		91.5	

3. Forecast of consolidated financial results for the year ending May 31, 2021 (from June 1, 2020 to May 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	51,000	0.6	800	15.3	350	75.9	200	–	6.56

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2020

(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, 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 May 31, 2020	204,637 shares	As of May 31, 2019	204,630 shares
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Average number of shares during the period

Year ended May 31, 2020	30,483,934 shares	Year ended May 31, 2019	29,540,276 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of May 31, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	7,059	7,499
Notes and accounts receivable - trade	12,524	10,352
Merchandise and finished goods	1,236	1,326
Work in process	2,010	2,485
Raw materials and supplies	764	848
Other	1,835	2,002
Allowance for doubtful accounts	(0)	(0)
Total current assets	25,431	24,514
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,485	18,708
Accumulated depreciation	(10,879)	(11,361)
Buildings and structures, net	6,606	7,346
Machinery, equipment and vehicles	25,985	27,413
Accumulated depreciation	(17,787)	(18,940)
Machinery, equipment and vehicles, net	8,197	8,473
Tools, furniture and fixtures	8,101	8,414
Accumulated depreciation	(7,073)	(7,086)
Tools, furniture and fixtures, net	1,028	1,328
Land	4,540	4,645
Construction in progress	1,114	574
Total property, plant and equipment	21,487	22,368
Intangible assets		
Goodwill	176	149
Other	406	395
Total intangible assets	583	544
Investments and other assets		
Investment securities	13	15
Deferred tax assets	426	418
Other	176	151
Total investments and other assets	616	585
Total non-current assets	22,686	23,498
Total assets	48,117	48,012

(Millions of yen)

	As of May 31, 2019	As of May 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,286	4,808
Electronically recorded obligations - operating	1,810	2,521
Short-term borrowings	2,404	1,979
Current portion of long-term borrowings	2,663	2,695
Current portion of bonds payable	150	150
Lease obligations	610	777
Income taxes payable	257	35
Provision for bonuses	131	114
Provision for bonuses for directors (and other officers)	31	–
Other	3,564	2,644
Total current liabilities	18,909	15,725
Non-current liabilities		
Bonds payable	225	75
Long-term borrowings	5,928	9,405
Lease obligations	1,572	2,802
Deferred tax liabilities	56	70
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	981	1,007
Other	436	351
Total non-current liabilities	9,222	13,735
<b>Total liabilities</b>	<b>28,132</b>	<b>29,461</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	13,081	12,215
Treasury shares	(43)	(43)
Total shareholders' equity	21,134	20,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Foreign currency translation adjustment	(1,335)	(1,669)
Remeasurements of defined benefit plans	(325)	(414)
Total accumulated other comprehensive income	(1,665)	(2,088)
Non-controlling interests	516	371
<b>Total net assets</b>	<b>19,985</b>	<b>18,551</b>
<b>Total liabilities and net assets</b>	<b>48,117</b>	<b>48,012</b>

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

(Millions of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Net sales	55,146	50,716
Cost of sales	46,313	43,901
Gross profit	8,833	6,815
Selling, general and administrative expenses	6,580	6,120
Operating profit	2,253	694
Non-operating income		
Interest income	25	20
Dividend income	1	1
Foreign exchange gains	0	–
Rental income	63	66
Subsidies for employment adjustment	–	117
Other	114	60
Total non-operating income	205	265
Non-operating expenses		
Interest expenses	225	337
Foreign exchange losses	–	94
De	–	165
Other	167	163
Total non-operating expenses	393	761
Ordinary profit	2,065	199
Extraordinary income		
Gain on sales of non-current assets	11	5
National subsidies	75	39
Total extraordinary income	86	44
Extraordinary losses		
Loss on sales of non-current assets	6	7
Loss on retirement of non-current assets	43	91
Loss on sales of shares of subsidiaries and associates	16	–
Loss on tax purpose reduction entry of non-current assets	75	39
swap loss	113	–
Loss on shutdown	–	383
Extra retirement payments	–	25
Total extraordinary losses	255	547
Profit (loss) before income taxes	1,896	(302)
Income taxes - current	522	251
Income taxes for prior periods	42	–
Income taxes - deferred	(7)	(24)
Total income taxes	557	227
Profit (loss)	1,338	(530)
Loss attributable to non-controlling interests	(14)	(124)
Profit (loss) attributable to owners of parent	1,352	(406)

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Profit (loss)	1,338	(530)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	(227)	(359)
Remeasurements of defined benefit plans, net of tax	35	(89)
Total other comprehensive income	(193)	(448)
Comprehensive income	1,144	(978)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,163	(829)
Comprehensive income attributable to non-controlling interests	(19)	(149)

## Consolidated statements of changes in equity

Fiscal year ended May 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,885	2,964	12,095	(43)	17,901
Cumulative effects of changes in accounting policies					
Restated balance					
Changes 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 in items other than shareholders' equity					
Total changes during period	1,123	1,123	986	(0)	3,232
Balance at end of 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 period	(3)	(0)	(1,112)	(360)	(1,476)	535	16,961
Cumulative effects of changes in accounting policies							
Restated balance							
Changes 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 in items other than shareholders' equity	(1)	0	(223)	35	(189)	(19)	(208)
Total changes during period	(1)	0	(223)	35	(189)	(19)	3,024
Balance at end of period	(4)	–	(1,335)	(325)	(1,665)	516	19,985

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,008	4,087	13,081	(43)	21,134
Cumulative effects of changes in accounting policies			(32)		(32)
Restated balance	4,008	4,087	13,048	(43)	21,101
Changes during period					
Issuance of new shares					
Dividends of surplus			(426)		(426)
Profit attributable to owners of parent			(406)		(406)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(832)	(0)	(832)
Balance at end of period	4,008	4,087	12,215	(43)	20,268

	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 period	(4)	–	(1,335)	(325)	(1,665)	516	19,985
Cumulative effects of changes in accounting policies							(32)
Restated balance	(4)	–	(1,335)	(325)	(1,665)	516	19,952
Changes during period							
Issuance of new shares							
Dividends of surplus							(426)
Profit attributable to owners of parent							(406)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	0		(334)	(89)	(423)	(144)	(568)
Total changes during period	0	–	(334)	(89)	(423)	(144)	(1,401)
Balance at end of period	(4)	–	(1,669)	(414)	(2,088)	371	18,551

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	1,896	(302)
Depreciation	2,623	2,960
Amortization of goodwill	29	24
Increase (decrease) in allowance for doubtful accounts	(29)	(0)
Increase (decrease) in allowance for investment loss	(276)	–
Increase (decrease) in retirement benefit liability	42	1
Interest and dividend income	(27)	(21)
Interest expenses	225	337
Loss (gain) on sales of shares of subsidiaries and associates	16	–
Gain on sales of property, plant and equipment	(11)	(5)
Loss on sales and retirement of property, plant and equipment	6	7
Loss on retirement of property, plant and equipment	43	91
LossGainOnSwapOpeCF	113	–
Loss (gain) on valuation of derivatives	–	165
Extra retirement payments	–	25
Decrease (increase) in trade receivables	(637)	1,958
Decrease (increase) in inventories	(463)	(705)
Decrease (increase) in other assets	(135)	(198)
Increase (decrease) in trade payables	(43)	(1,599)
Increase (decrease) in other liabilities	298	(284)
Other, net	45	(36)
Subtotal	3,717	2,417
Interest and dividends received	27	21
Interest paid	(220)	(346)
Income taxes paid	(538)	(458)
Extra retirement payments	–	(25)
Net cash provided by (used in) operating activities	2,985	1,608
Cash flows from investing activities		
Purchase of investment securities	(0)	(1)
Purchase of property, plant and equipment	(2,734)	(2,674)
Proceeds from sales of property, plant and equipment	27	12
Other, net	(91)	(115)
Net cash provided by (used in) investing activities	(2,799)	(2,779)

(Millions of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,029)	(385)
Proceeds from long-term loans payable	5,120	6,271
Repayments of long-term borrowings	(2,876)	(2,800)
Redemption of bonds	(230)	(150)
Proceeds from issuance of shares	2,228	–
Repayments of lease obligations	(771)	(781)
Dividends paid	(366)	(426)
Dividends paid to non-controlling interests	(0)	–
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	74	1,727
Effect of exchange rate change on cash and cash equivalents	(100)	(117)
Net increase (decrease) in cash and cash equivalents	161	439
Cash and cash equivalents at beginning of period	6,898	7,059
Cash and cash equivalents at end of period	7,059	7,499