

Translation

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Summary of Consolidated Financial Results for the Three Months Ended August 31, 2020 (Based on Japanese GAAP)

October 12, 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: October 14, 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 three months ended August 31, 2020 (from June 1, 2020 to August 31, 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	%
Three months ended August 31, 2020	11,755	(9.4)	281	133.5	207	–	97	–
Three months ended August 31, 2019	12,980	0.5	120	(74.4)	(20)	–	(45)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended August 31, 2020	3.19		–	
Three months ended August 31, 2019	(1.50)		–	

(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, 2020	50,098	18,732	36.8	604.11
As of May 31, 2020	48,107	18,551	37.8	596.67

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, 2020	–	7.00	–	2.00	9.00
Year ending May 31, 2021	–	–	–	–	–
Year ending May 31, 2021 (Forecast)	–	2.00	–	4.00	6.00

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 attributable to owners of parent		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 three months ended August 31, 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: No
- 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, 2020	30,688,569 shares	As of May 31, 2020	30,688,569 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	204,637 shares	As of May 31, 2020	204,637 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, 2020	30,483,932 shares	Three months ended August 31, 2019	30,483,939 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	7,499	7,148
Notes and accounts receivable - trade	10,352	12,082
Merchandise and finished goods	1,326	1,118
Work in process	2,485	3,006
Raw materials and supplies	848	777
Other	2,048	2,066
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,560	26,199
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,346	7,256
Machinery, equipment and vehicles, net	8,473	8,555
Tools, furniture and fixtures, net	1,328	1,416
Land	4,645	4,648
Construction in progress	574	838
Total property, plant and equipment	22,368	22,714
Intangible assets		
Goodwill	149	140
Other	395	371
Total intangible assets	544	511
Investments and other assets		
Investment securities	15	15
Other	618	657
Total investments and other assets	634	672
Total non-current assets	23,547	23,898
Total assets	48,107	50,098

(Millions of yen)

	As of May 31, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,808	6,006
Electronically recorded obligations - operating	2,521	1,994
Short-term borrowings	1,979	2,761
Current portion of long-term borrowings	2,695	2,684
Current portion of bonds payable	150	150
Income taxes payable	81	152
Provision for bonuses	114	100
Other	3,421	3,550
Total current liabilities	15,771	17,402
Non-current liabilities		
Bonds payable	75	75
Long-term borrowings	9,405	9,441
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	1,007	992
Other	3,273	3,430
Total non-current liabilities	13,784	13,963
Total liabilities	29,556	31,365
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	12,225	12,261
Treasury shares	(43)	(43)
Total shareholders' equity	20,278	20,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Remeasurements of defined benefit plans	(414)	(399)
Foreign currency translation adjustment	(1,669)	(1,494)
Total accumulated other comprehensive income	(2,088)	(1,898)
Non-controlling interests	362	317
Total net assets	18,551	18,732
Total liabilities and net assets	48,107	50,098

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, 2019	Three months ended August 31, 2020
Net sales	12,980	11,755
Cost of sales	11,171	10,071
Gross profit	1,808	1,683
Selling, general and administrative expenses	1,688	1,402
Operating profit	120	281
Non-operating income		
Interest and dividend income	5	2
Rental income	16	17
Subsidies for employment adjustment	–	84
Other	16	9
Total non-operating income	38	113
Non-operating expenses		
Interest expenses	63	84
Foreign exchange losses	18	46
Loss on Derivative	66	42
Other	30	13
Total non-operating expenses	179	187
Ordinary profit (loss)	(20)	207
Extraordinary income		
Gain on sales of non-current assets	0	2
National subsidies	39	85
Total extraordinary income	39	88
Extraordinary losses		
Loss on retirement of non-current assets	15	25
Loss on sales of non-current assets	3	3
Loss on tax purpose reduction entry of non-current assets	39	85
Total extraordinary losses	59	114
Profit (loss) before income taxes	(39)	181
Income taxes	27	127
Profit (loss)	(67)	54
Loss attributable to non-controlling interests	(21)	(43)
Profit (loss) attributable to owners of parent	(45)	97

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended August 31, 2019	Three months ended August 31, 2020
Profit (loss)	(67)	54
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	(349)	177
Remeasurements of defined benefit plans, net of tax	12	15
Total other comprehensive income	(336)	192
Comprehensive income	(404)	246
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(375)	287
Comprehensive income attributable to non-controlling interests	(29)	(40)