

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2020 (Based on Japanese GAAP)

January 12, 2021

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 13, 2021
 Scheduled date to commence dividend payments: February 1, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2020 (from June 1, 2020 to November 30, 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	%
Six months ended November 30, 2020	26,738	(7.4)	1,399	118.5	1,238	252.3	744	198.1
Six months ended November 30, 2019	28,876	4.1	640	(45.8)	351	(66.0)	249	(66.5)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2020	24.41		-	
Six months ended November 30, 2019	8.18		-	

(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, 2020	52,578	19,361	36.2	625.05
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	-	4.00			
Year ending May 31, 2021 (Forecast)			-	4.00	8.00

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	53,000	4.5	2,000	187.9	1,500	652.3	900	-	29.52

4. Notes

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

Six months ended November 30, 2020	30,483,932 shares	Six months ended November 30, 2019	30,483,935 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	7,499	7,842
Notes and accounts receivable - trade	10,352	14,101
Merchandise and finished goods	1,326	754
Work in process	2,485	2,964
Raw materials and supplies	848	903
Other	2,048	1,957
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,560	28,523
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,346	7,137
Machinery, equipment and vehicles, net	8,473	8,589
Tools, furniture and fixtures, net	1,328	1,497
Land	4,645	4,658
Construction in progress	574	1,060
Total property, plant and equipment	22,368	22,944
Intangible assets		
Goodwill	149	131
Other	395	345
Total intangible assets	544	477
Investments and other assets		
Investment securities	15	15
Other	618	618
Total investments and other assets	634	633
Total non-current assets	23,547	24,055
Total assets	48,107	52,578

(Millions of yen)

	As of May 31, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,808	7,165
Electronically recorded obligations - operating	2,521	2,184
Short-term borrowings	1,979	3,777
Current portion of long-term borrowings	2,695	2,212
Current portion of bonds payable	150	75
Income taxes payable	81	419
Provision for bonuses	114	133
Other	3,421	3,992
Total current liabilities	15,771	19,960
Non-current liabilities		
Bonds payable	75	75
Long-term borrowings	9,405	8,514
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	1,007	970
Other	3,273	3,673
Total non-current liabilities	13,784	13,256
Total liabilities	29,556	33,217
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,087
Retained earnings	12,225	12,908
Treasury shares	(43)	(43)
Total shareholders' equity	20,278	20,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(4)
Remeasurements of defined benefit plans	(414)	(383)
Foreign currency translation adjustment	(1,669)	(1,519)
Total accumulated other comprehensive income	(2,088)	(1,907)
Non-controlling interests	362	307
Total net assets	18,551	19,361
Total liabilities and net assets	48,107	52,578

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, 2019	Six months ended November 30, 2020
Net sales	28,876	26,738
Cost of sales	24,834	22,415
Gross profit	4,042	4,322
Selling, general and administrative expenses	3,401	2,923
Operating profit	640	1,399
Non-operating income		
Interest and dividend income	14	11
Rental income	32	33
Subsidies for employment adjustment	–	105
Other	26	25
Total non-operating income	73	176
Non-operating expenses		
Interest expenses	167	190
Foreign exchange losses	31	71
Loss on Derivative	112	44
Other	51	31
Total non-operating expenses	362	337
Ordinary profit	351	1,238
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	–	1
National subsidies	39	85
Total extraordinary income	39	90
Extraordinary losses		
Loss on retirement of non-current assets	29	30
Loss on sales of non-current assets	5	3
Extra retirement payments	9	11
Loss on tax purpose reduction entry of non-current assets	39	85
Total extraordinary losses	84	130
Profit before income taxes	306	1,197
Income taxes	108	491
Profit	198	705
Loss attributable to non-controlling interests	(50)	(38)
Profit attributable to owners of parent	249	744

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2019	Six months ended November 30, 2020
Profit	198	705
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	121	137
Remeasurements of defined benefit plans, net of tax	25	31
Total other comprehensive income	148	169
Comprehensive income	347	875
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	386	925
Comprehensive income attributable to non-controlling interests	(39)	(50)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2019	Six months ended November 30, 2020
Cash flows from operating activities		
Profit before income taxes	306	1,197
Depreciation	1,469	1,427
Amortization of goodwill	14	13
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in retirement benefit liability	51	5
Interest and dividend income	(14)	(11)
Interest expenses	167	190
Loss (gain) on sales of investment securities	–	(1)
Loss (gain) on sales of property, plant and equipment	5	0
Loss on retirement of property, plant and equipment	29	30
Loss (gain) on valuation of derivatives	112	44
Extra retirement payments	–	11
Decrease (increase) in trade receivables	(596)	(3,615)
Decrease (increase) in inventories	(518)	59
Decrease (increase) in other asset	(522)	18
Increase (decrease) in trade payables	1,028	1,944
Increase (decrease) in other liability	160	594
Other, net	20	(1)
Subtotal	1,713	1,906
Interest and dividends received	14	11
Interest paid	(178)	(151)
Income taxes paid	(288)	(186)
Extra retirement payments	–	(11)
Net cash provided by (used in) operating activities	1,261	1,568
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	–	1
Purchase of property, plant and equipment	(1,714)	(1,170)
Proceeds from sales of property, plant and equipment	3	7
Other, net	(93)	(10)
Net cash provided by (used in) investing activities	(1,805)	(1,172)

(Millions of yen)

	Six months ended November 30, 2019	Six months ended November 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(403)	1,793
Proceeds from long-term loan payable	2,231	–
Repayments of long-term borrowings	(1,408)	(1,434)
Redemption of bonds	(75)	(75)
Repayments of lease obligations	(371)	(413)
Dividends paid	(213)	(60)
Purchase of treasury shares	(0)	–
Net cash provided by (used in) financing activities	(241)	(189)
Effect of exchange rate change on cash and cash equivalents	79	137
Net increase (decrease) in cash and cash equivalents	(704)	343
Cash and cash equivalents at beginning of period	7,059	7,499
Cash and cash equivalents at end of period	6,354	7,842