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## Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020 [Japanese GAAP]



October 31, 2019

Company name: Sanoyas Holdings Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 7022  
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 Scheduled date of filing quarterly securities report: November 8, 2019  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary briefing material on annual financial results: Not available  
 Schedule of quarterly financial results briefing session: Yes (for investment analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2019	23,376	3.0	(1,608)	–	(1,495)	–	(1,505)	–
September 30, 2018	22,690	(3.6)	1,704	765.4	1,818	794.2	1,790	537.4

(Note) Comprehensive income: Second Quarter of fiscal year ending March 31, 2020: ¥(1,216)million [–%]  
 Second Quarter of fiscal year ended March 31, 2019: ¥2,380 million [264.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	(46.20)	–
September 30, 2018	54.94	54.45

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2019	62,432	13,289	21.2
March 31, 2019	67,110	14,654	21.7

(Reference) Equity: As of September 30, 2019: ¥13,211 million As of March 31, 2019: ¥14,590 million

## 2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Year ended March 31, 2019	Yen —	Yen 0.00	Yen —	Yen 5.00	Yen 5.00
Year ending March 31, 2020	—	0.00			
Year ending March 31, 2020 (Forecast)			—	5.00	5.00

(Note) Revision to recently disclosed projected cash dividends: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	48,000	(0.3)	(2,900)	—	(2,800)	—	(2,500)	—	(76.72)

(Note 1) Revision to recently disclosed projected consolidated financial results: Yes

(Note 2) The exchange rate used for unfixed foreign currency items in assuming the Company's earnings forecast is 107 yen to the U.S dollar.

### \* Notes:

(1) Changes in significant subsidiaries during the current quarter (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revision of accounting standards: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares):

As of September 30, 2019: 32,606,800 shares

As of March 31, 2019: 32,606, 800 shares

2) Number of treasury shares at the end of the period:

As of September 30, 2019: 20,715 shares

As of March 31, 2019: 20,715 shares

3) Average number of outstanding shares during the period:

Six months ended September 30, 2019: 32,586,085 shares

Six months ended September 30, 2018: 32,579,885 shares

\* These quarterly consolidated financial results are outside the scope of audit

\* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available. Actual results may differ significantly from these forecasts due to a wide range of factors.

## 1. Qualitative Information

### (1) Summary of Business Results

In the business environment surrounding the Sanoyas Group, “twin surpluses” of shipping tonnage and shipbuilding capacity continues structurally and in China and Korea, which are our competitors, their governments support the shipbuilding industry as their policies. The situation is still tough in the Shipbuilding & Engineering business. The market of bulk carriers has weakened since the beginning of 2019. Although the market has been showing a moderate recovery trend since April 2019, the average prices of charter fee remain low and the newbuilding shipping price has not recovered yet.

In the Shipbuilding business, new 82,000 DWT type PANAMAX bulk carriers and new 64,000 DWT type ULTRAMAX bulk carriers have been developed. These vessels are applied IMO NOx Tier III regulation and IACS Harmonized Common Structural Rules and further improved fuel consumption. In addition, 41,000 DWT type HANDY SIZE bulk carriers have been developed newly. This type of vessel with wide beam and shallow draft has larger cargo hold capacity and applies new regulations. We carry out sales promotion. At the same time, we are expanding the range of our products to passenger ferries, special vessels and working ships, etc., and we are working on adding new item on our menu. As to the marine and gas tank business that we have been working on to complement the Shipbuilding business, we established "Gas Tank Sales Department" and "Gas Tank Design Department" as new dedicated organizations which are independent of the existing departments on April 1, 2019. Regarding LPG tank business, we decided to manufacture in the Mizushima Shipyard (Kurashiki City, Okayama Prefecture) which is our main shipyard in addition to the Osaka Shipyard (Osaka City, Osaka Prefecture), and we started the construction of the production facilities.

We had regarded the M & T (Machinery & Technology) business as “second core business” and promoted various business portfolios. We recognize it is important and urgent issue to make our group business stable and sustainable and we promoted reorganization of the M & T group. Sanoyas Engineering Corporation and DAICHU CO., LTD. which are mainly engaged in manufacturing and maintenance service of industrial machinery merged on April 1, 2019. By reorganizing the functional activity in the new company, we have further promoted improvement of management efficiency and the best allocation of human resources. As for the sales strategy of shot blast machines, Sanoyas Engineering Corporation signed distributor agreement in Taiwanese markets with Taiwanese and Japanese trading companies on September 6, 2019 to expand the sales of paint stripping devices "Jig Stripper" to overseas markets. In addition, Sanoyas Engineering Corporation is scheduled to merge with Sanoyas Construction Machinery Corporation which is mainly engaged in sales and rental business of construction-use elevator on April 1, 2020. We intend to strengthen and expand the business structure by pursuing of synergies on sharing their factories. Furthermore, for the aim of promoting IT development in our businesses activities, we are going to assign smoothly and effectively system engineers to our group companies from SANOTEC Corporation which is engaged in software development and calculation/information processing business on April 1, 2019. At the same time, SANOTEC Corporation and Sanoyas Business Partner Corporation merged. We decided to transfer the management and administration of SANOTEC Corporation from Sanoyas MTG Corporation to Sanoyas Shipbuilding Corporation that is effective on January 1, 2020. As a result of the

business integration and consolidation of SANOTEC, the majority of the business domain has shifted to shipbuilding-related industries.

Consolidated net sales in the six months ended September 30, 2019 increased by ¥685 million (3.0%) over the same period of the previous fiscal year, to ¥23,376 million. Operating loss was ¥1,608 million (operating profit of the same period of the previous fiscal year was ¥1,704 million), ordinary loss was ¥1,495 million (ordinary profit of the same period of the previous fiscal year was ¥1,818 million), and loss attributable to owners of parent was ¥1,505 million (profit attributable to owners of parent of the same period of the previous fiscal year was ¥1,790million).

Quarterly results may not necessarily be linked to annual results because these are significantly affected by the followings; 1.the nature of order-receiving industry in which Sanoyas group are engaged, especially trends in newbuilding shipping price that are strongly affected by shipping market and presence of new orders, 2.individual profitability of shipbuilding on the basis of percentage of completion method, and 3.exchange rates at the end of each quarter.

## (2) Segment Results

### [1] Shipbuilding & Engineering business

We tried to secure new orders for vessels under the market in which the newbuilding shipping price has not been recovered, and we received new orders of 3 vessels of new 82,000 DWT type PANAMAX bulk carriers. In addition, we delivered 1 vessel of 82,000 DWT type PANAMAX bulk carriers, 1 vessel of 64,000 DWT type ULTRAMAX bulk carriers and 1 vessel of 60,000 DWT type SUPRAMAX bulk carriers. The number of backlog of orders has been 16 vessels as of September 30, 2019. We will continue to focus on the sales with the policy of securing the backlog orders of approximately 2.5 years responding flexibly to the market trends. As marine business and gas tank business, we focused on sales of repairing services for vessels and LPG tanks. As a result of the business activities, the segment backlog of orders was ¥ 39,523 million on a percentage of completion method. The segment net sales in the six months ended September 30, 2019 increased by ¥334 million (2.5%) over the same period of the previous fiscal year, to ¥13,719 million. The evaluated net sales of the backlog of shipbuilding orders, including the newly ordered vessels, on a US dollar basis decreased because the yen has been stronger against the US dollar since April 2019. As a result, the profitability of the vessels deteriorated and the operating loss was ¥2,193 million (operating profit of the same period of the previous fiscal year was ¥1,475 million).

### [2] M & T (Machinery & Technology) business

Regarding the M & T business, the number of visitors to the amusement park increased due to an increase of inbound tourists to Japan and long holidays. As a result, the location business, which operates and manages amusement parks in Japan, performed well and drove overall sales and profits in the M & T Group. In addition, being based on brisk of construction works in Tokyo area, steady results were seen in such sectors as sales and rental of construction-use elevators. The cosmetics market continues to expand every year, and sales of vacuum

emulsifiers and stirrers for cosmetics continue to increase. As a result of the business activities, the segment backlog of orders was ¥8,290 million. The segment net sales in the six months ended September 30, 2019 decreased by ¥350million (3.8%) over the same period of the previous fiscal year, to ¥9,656 million. The operating profit increased by ¥365 million (89.7%), to ¥773 million.

(3) Information regarding Consolidated Financial Results Forecasts and other forward-looking statements

We have announced that amendments have been made to the consolidated financial results forecast announced in May 2019 based on the Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020.

For further details, please refer to the “Notice of Amendments to the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)” which was disclosed on October 31, 2019.

Quarterly Consolidated Financial Statements [Japanese GAAP]

(1) Quarterly Consolidated Balance Sheets [Japanese GAAP]

(Million yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	20,108	15,711
Notes and accounts receivable - trade	15,305	14,744
Electronically recorded monetary claims - operating	465	498
Securities	500	500
Merchandise and finished goods	251	233
Work in process	1,117	1,582
Raw materials and supplies	659	696
Other	2,725	2,624
Allowance for doubtful accounts	(21)	(28)
Total current assets	41,112	36,561
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,175	5,999
Machinery and equipment, net	3,410	3,113
Land	4,980	4,286
Other, net	2,193	2,079
Total property, plant and equipment	16,760	15,479
Intangible assets		
Software	362	374
Goodwill	357	322
Other	31	31
Total intangible assets	752	728
Investments and other assets		
Investment securities	6,997	7,521
Long-term loans receivable	475	401
Deferred tax assets	247	237
Net defined benefit asset	277	314
Other	591	1,290
Allowance for doubtful accounts	(103)	(103)
Total investments and other assets	8,485	9,662
Total non-current assets	25,997	25,870
Total assets	67,110	62,432

(Million yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	11,950	10,401
Short-term loans payable	4,830	4,250
Current portion of long-term loans payable	3,853	4,034
Income taxes payable	273	151
Advances received	4,505	3,336
Provision for bonuses	495	493
Provision for construction warranties	167	148
Provision for loss on construction contracts	3,109	3,130
Lease obligations	165	176
Other	1,879	986
Total current liabilities	31,229	27,109
Non-current liabilities		
Long-term loans payable	12,699	13,133
Lease obligations	1,222	1,230
Deferred tax liabilities	2,322	2,423
Net defined benefit liability	4,501	4,765
Asset retirement obligations	451	450
Other	28	28
Total non-current liabilities	21,226	22,033
Total liabilities	52,456	49,142
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,538	2,538
Capital surplus	402	402
Retained earnings	8,739	7,070
Treasury shares	(5)	(5)
Total shareholders' equity	11,675	10,006
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,308	3,548
Deferred gains or losses on hedges	(2)	(5)
Foreign currency translation adjustment	(169)	(156)
Remeasurements of defined benefit plans	(221)	(182)
Total accumulated other comprehensive income	2,915	3,204
Share acquisition right	63	78
Total net assets	14,654	13,289
Total liabilities and net assets	67,110	62,432



(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income [Japanese GAAP]

Quarterly Consolidated Statements of Income [Japanese GAAP]

(Million yen)

	Six Months ended September 30, 2018	Six Months ended September 30, 2019
Net sales	22,690	23,376
Cost of sales	18,541	22,496
Gross profit	4,149	879
Selling, general and administrative expenses	2,444	2,488
Operating profit (loss)	1,704	(1,608)
Non-operating income		
Interest income	10	6
Dividend income	66	77
Share of profit of entities accounted for using equity method	43	171
Foreign exchange gains	107	–
Other	42	29
Total non-operating income	270	285
Non-operating expenses		
Interest expenses	134	130
Other	22	42
Total non-operating expenses	156	173
Ordinary profit (loss)	1,818	(1,495)
Extraordinary income		
Gain on sales of non-current assets	–	98
Total extraordinary income	–	98
Profit (loss) before income taxes	1,818	(1,397)
Income taxes – current	93	103
Income taxes – deferred	(65)	4
Total income taxes	28	108
Profit (loss)	1,790	(1,505)
Profit (loss) attributable to owners of parent	1,790	(1,505)

Quarterly Consolidated Statements of Comprehensive Income [Japanese GAAP]

(Million yen)

	Six Months ended September 30, 2018	Six Months ended September 30, 2019
Profit(loss)	1,790	(1,505)
Other comprehensive loss (income)		
Valuation difference on available-for-sale securities	702	239
Deferred gain (loss) on hedges	(18)	(5)
Foreign currency translation adjustment	(149)	19
Remeasurements of defined benefit plans, net of tax	53	39
Comprehensive loss (income) of affiliates accounted for by the equity method attributable to the Company	2	(3)
Total other comprehensive loss (income)	590	289
Comprehensive income	2,380	(1,216)
Comprehensive income (loss) attributable to		
Owners of the parent	2,380	(1,216)
Non-controlling interests	–	–

## (3) Quarterly Consolidated Statements of Cash Flows [Japanese GAAP]

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,818	(1,397)
Depreciation	793	786
Amortization of goodwill	34	34
Increase (decrease) in net defined benefit liability	124	264
Increase (decrease) in allowance for doubtful accounts	2	6
Increase (decrease) in provision for bonuses	33	(1)
Increase (decrease) in provision for construction warranties	(9)	(18)
Increase (decrease) in provision for loss on construction contracts	(2,220)	21
Interest and dividend income	(77)	(84)
Interest expenses	134	130
Foreign exchange losses (gains)	(90)	1
Gain on sales of non-current assets	(1)	(98)
Decrease (increase) in notes and accounts receivable - trade	181	518
Decrease (increase) in inventories	(450)	(488)
Decrease (increase) in advance payments	(241)	(962)
Increase (decrease) in notes and accounts payable - trade	(1,143)	(1,277)
Increase (decrease) in advances received	437	(1,079)
Decrease (increase) in consumption taxes refund receivable	678	479
Other, net	(292)	(660)
<b>Subtotal</b>	<b>(288)</b>	<b>(3,825)</b>
Interest and dividend income received	76	83
Interest expenses paid	(133)	(131)
Insurance income	—	245
Income taxes (paid) refund	202	174
<b>Net cash provided by (used in) operating activities</b>	<b>(143)</b>	<b>(3,453)</b>

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from investing activities		
Payments into time deposits	(465)	(150)
Proceeds from withdrawal of time deposits	325	365
Net decrease (increase) in short-term investment securities	(500)	—
Purchase of property, plant and equipment	(1,732)	(910)
Proceeds from sales of property, plant and equipment	33	231
Purchase of intangible assets	(64)	(109)
Purchase of investment securities	(9)	(7)
Proceeds from sales of investment securities	—	37
Collection of loans receivable	72	71
Other, net	(2)	(33)
Net cash provided by (used in) investing activities	(2,342)	(505)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	(580)
Proceeds from long-term loans payable	850	2,200
Repayments of long-term loans payable	(2,029)	(1,585)
Cash dividends paid	(162)	(162)
Proceeds from sales and leasebacks	1,343	—
Other, net	(64)	(90)
Net cash provided by (used in) financing activities	(363)	(218)
Effect of exchange rate change on cash and cash equivalents	82	(4)
Net increase (decrease) in cash and cash equivalents	(2,766)	(4,182)
Cash and cash equivalents at beginning of period	22,224	19,323
Cash and cash equivalents at end of period	19,457	15,140

(Segment Information)

I Six months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

Information concerning Net sales and Operating profit or loss by Reportable business segment

(Million yen)

	Reportable segment		Total	Adjustments ( Note 1)	Amount recorded in consolidated statements of income ( Note 2)
	Shipbuilding & Engineering Business	Machinery & Technology & Business			
Net sales					
External sales	13,384	9,305	22,690	—	22,690
Internal sales or transfers	6	442	448	(448)	—
Total	13,391	9,748	23,139	(448)	22,690
Segment profit	1,475	407	1,883	(178)	1,704

(Note 1) Details of “Adjustments” are as follows:

Adjustments for the segment profit or loss of ¥178 million include corporate cost of ¥190 million not allocated to each reportable segment, allowance for doubtful accounts of ¥(1) million and elimination of inter-segment transaction of ¥(10) million.

Corporate cost consists of general and administrative expenses which do not belong to the reporting segment.

(Note 2) Segment profit is adjusted with operating profit recorded in the quarterly consolidated statements of income.

II Six months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

Information concerning Net sales and Operating profit or loss by Reportable business segment

(Million yen)

	Reportable segment		Total	Adjustments ( Note 1)	Amount recorded in quarterly consolidated statements of income ( Note 2)
	Shipbuilding & Engineering Business	Machinery & Technology Business			
Net sales					
External sales	13,719	9,656	23,376	—	23,376
Internal sales or transfers	3	272	276	(276)	—
Total	13,722	9,929	23,652	(276)	23,376
Segment profit (loss)	(2,193)	773	(1,420)	(188)	(1,608)

(Note 1) Details of “Adjustments” are as follows:

Adjustments for the segment profit of ¥188 million include corporate cost of ¥200 million not allocated to each reportable segment, allowance for doubtful accounts of ¥(0) million and elimination of inter-segment transaction of ¥(12) million.

Corporate cost consists of general and administrative expenses which do not belong to the reporting segment.

(Note 2) Segment profit or loss is adjusted with operating loss recorded in the quarterly consolidated statements of income.

Supplementary information

Status of sales and orders

Segmental sales

Segment	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)		Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	
	(Million yen)	Composition ratio (%)	(Million yen)	Composition ratio (%)
Shipbuilding & Engineering Business	13,384	59.0	13,719	58.7
Machinery & Technology Business	9,305	41.0	9,656	41.3
Total	22,690	100.0	23,376	100.0

Order status and backlog of orders

Segment	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)		Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	
	Orders (Million yen)	Backlog of orders (Million yen)	Orders (Million yen)	Backlog of orders (Million yen)
Shipbuilding & Engineering Business	12,976	38,784	12,226	39,523
Machinery & Technology Business	7,100	7,129	7,696	8,290
Total	20,077	45,914	19,923	47,813

(Note) The backlog of orders of shipbuilding in the Shipbuilding & Engineering Business as of September 30, 2019 is stated on the percentage of completion method and the number of backlog of orders is 16 on delivery basis.