

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 [Japanese GAAP]



July 31, 2020

Company name: Sanoyas Holdings Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 7022  
 URL: <http://www.sanoyas.co.jp/>  
 Representative: Takashi Ueda, President & CEO  
 Contact: Naoya Fukui, General Manager, Accounting Department  
 Phone: +81-6-4803-6171  
 Email: [info@sanoyas.co.jp](mailto:info@sanoyas.co.jp)  
 Scheduled date of filing quarterly securities report: August 7, 2020  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary briefing material on annual financial results: Not available  
 Schedule of quarterly financial results briefing session: No

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

### 1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(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	%
Three months ended								
June 30, 2020	11,125	(3.2)	(839)	–	(781)	–	(803)	–
June 30, 2019	10,776	(8.1)	(1,081)	–	(1,086)	–	(1,092)	–

(Note) Comprehensive income: First Quarter of fiscal year ended March 31, 2021: ¥38 million [–%]

First Quarter of fiscal year ended March 31, 2020: ¥(871)million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	(24.64)	–
June 30, 2019	(33.54)	–

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2020	62,040	11,544	18.5
March 31, 2020	63,681	11,660	18.2

(Reference) Equity: As of June 30, 2020: ¥11,446 million

As of March 31, 2020: ¥11,571 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	0.00	—	5.00	5.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	—	—

(Note 1) Revision to recently disclosed projected cash dividends: No

(Note 2) Annual dividend for the Fiscal Year Ending March 31, 2021 has not yet been determined.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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	—	—	—	—	—	—	—	—	—

(Note 1) Revision to recently disclosed projected consolidated financial results: No

(Note 2) The consolidated earnings forecast for the fiscal year ending March 31, 2021 has not been determined because of the uncertain outlook for the business environment due to the impact of the COVID-19 and other factors, and the difficulty to make a proper and reasonable estimate of the impact at this time.

### \* Notes:

(1) Changes in significant subsidiaries during the period under review (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 the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

June 30, 2020: 32,637,500 shares

March 31, 2020: 32,637,500 shares

2) Total number of treasury shares at the end of the period:

June 30, 2020: 20,715 shares

March 31, 2020: 20,715 shares

3) Average number of shares during the period:

Fiscal Year Ended June 30, 2020: 32,616,785 shares

Fiscal Year Ended June 30, 2019: 32,586,085 shares

\* These 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 and certain assumptions deemed reasonable. 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, our Shipbuilding & Engineering business is still facing difficult circumstances reflecting continuous “twin surpluses” of shipping tonnage and shipbuilding capacity, government subsidies to our competing Chinese and South Korean shipyards and sluggish shipping market caused by global economic slump. The shipping market for bulk carriers remained weak since the beginning of 2020. In this situation, business negotiations of shipbuilding have stopped since April 2020. Though some dry bulk shipping indices are showing an upward trend, time charter rates remain at a low level and the price of new ships has not recovered yet.

In the Shipbuilding business, we have developed new 82,000 DWT type PANAMAX bulk carriers and new 64,000 DWT type ULTRAMAX bulk carriers. These vessels are in accordance with IMO NOx Tier III regulation and IACS Harmonized Common Structural Rules and further improved fuel consumption. In addition, We have newly developed 41,000 DWT type HANDY SIZE bulk carriers. This type of vessel with wide beam and shallow draft has larger cargo hold capacity and applies new regulations. We mainly carry out sales promotion for these vessels.

On the other hand, we are working on diversification of the construction menu by promoting sales of passenger ferries, special purpose vessels and work vessels, etc. in addition to commercial vessels. As to the gas tank business that we have been working on expanding to complement the Shipbuilding business, we reorganized our gas tank business structure by placing "Gas Tank Sales Department" and "Gas Tank Design Department" under newly formed “Gas Tank Business Department” and we have been constructing gas tank production facilities in the Mizushima Shipyard (Kurashiki City, Okayama Prefecture) in addition to the Osaka Shipyard (Osaka City, Osaka Prefecture) in the beginning of this fiscal year in order to expand and strengthen our gas tank business.

We regard the Machinery & Technology business as “second core business” and are promoting various business portfolios. Moreover, we are proceeding reorganization to stabilize the group management by strengthening the management base of our subsidiaries. We merged Sanoyas Engineering Corporation which had been merged with DAICHU CO., LTD in the beginning of last fiscal year and Sanoyas Construction Machinery Corporation which is mainly engaged in sales and rental business of construction-use elevator additionally in the beginning of this fiscal year. As a result of these mergers, we enhanced the scale of operation and functional organization of the company. We intend to pursue further synergies by shifting the human resources to strategic fields, enhancement of R&D investment, joint use of existing factories and so on.

Consolidated net sales in the first quarter ended June 30, 2020 increased by ¥348 million (3.2%) over the same period of the previous fiscal year, to ¥11,225 million. Operating loss was ¥839 million (operating loss of the same period of the previous fiscal year was ¥1,081 million), ordinary loss was ¥781 million (ordinary loss of the same period of the previous fiscal year was ¥1,086 million), and quarterly net loss attributable to parent company shareholder was ¥803 million (quarterly net loss attributable to parent company shareholder of the same period of the previous fiscal year was ¥1,092 million).

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 newbuilding prices have not been recovered with unusual economic climate affected by COVID-19, but we did not receive any new orders. We delivered 1 vessel of 82,000 DWT type PANAMAX bulk carrier and 1 vessel of 60,000 DWT type SUPRAMAX bulk carrier. The number of backlog of orders was 11 vessels as of June 30, 2020. We will try to get orders flexibly responding to demanding marketing conditions and focus on our business policy of securing an order backlog for about two years. As to marine business and gas tank business, we focused on sales of repairing services for vessels of public and private sectors and LPG tanks. As a result, the segment backlog of orders for shipbuilding business including marine business, gas tank business and plant business was ¥30,316 million on a percentage of completion method. The segment net sales in the first quarter ended June 30, 2020 increased by ¥749 million (10.9%) over the same period of the previous fiscal year, to ¥7,646 million due to the fact that we built more profitable ships than the previous period while maintaining the building pace of new ships.

The evaluated net sales of the backlog of shipbuilding orders on a US dollar basis decreased because Japanese Yen has been stronger against the US dollar during the first quarter ending June 30, 2020. The allowance for future loss on construction contracts increased. As a result, the profitability of the vessels deteriorated and the operating loss was ¥292 million (operating loss of the same period of the previous fiscal year was ¥1,173 million).

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

Regarding the Machinery & Technology business, sales of vacuum emulsifiers and stirrers for cosmetics which have hardly been affected by influence of spread of COVID-19 continued to increase and precision machining for semiconductor manufacturing equipment recovered to full performance. While, on the other hand, other business has been sluggish owing to the influence of spread of COVID-19. Especially, operation and management of amusement parks at home and abroad which had to be closed owing to declaration of state of emergency and restrictions on overseas travel have terribly been affected by the influence of COVID-19. As to Machinery & Technology business, both sales and profit declined largely. As a result of the business activities, the segment backlog of orders was ¥8,773 million. The segment net sales in the first quarter ended June 30, 2020 decreased by ¥400 million (10.3%) over the same period of the previous fiscal year, to ¥3,479 million. The operating loss was ¥440 million (operating loss of the same period of the previous fiscal year was ¥212 million).

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

The consolidated earnings forecast for the fiscal year ending March 31, 2021 has not been determined because of the uncertain outlook for the business environment due to the impact of the COVID-19 and other factors, and the difficulty to make a proper and reasonable estimate of the impact at this time.

Especially, as to operation and management of amusement parks, we still cannot prospect number of visitors owing to factors such as shortened school summer vacation and an increase in the number of people infected by COVID-19, although we reopened major facilities in June 2020 following the lifting of the state of emergency declared by Japanese Government. In the Shipbuilding & Engineering business and Machinery & Technology business as a whole, business negotiations with customers have been hindered by the influence of spread of COVID-19. We predict that the orders and sales for the current fiscal year would be affected by these factors.

We will disclose a reasonable forecast as soon as it becomes possible.

2. Quarterly Consolidated Financial Statements [Japanese GAAP]  
(1) Quarterly Consolidated Balance Sheets [Japanese GAAP]

(Million yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	15,623	15,065
Notes and accounts receivable - trade	15,085	13,153
Electronically recorded monetary claims - operating	535	466
Securities	500	500
Merchandise and finished goods	179	197
Work in process	1,464	1,787
Raw materials and supplies	829	812
Other	3,656	2,771
Allowance for doubtful accounts	(33)	(25)
Total current assets	37,839	34,728
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,310	6,304
Machinery and equipment, net	3,003	2,869
Land	5,168	5,275
Other, net	1,883	2,034
Total property, plant and equipment	16,365	16,484
Intangible assets		
Software	550	1,093
Goodwill	901	877
Other	39	40
Total intangible assets	1,490	2,011
Investments and other assets		
Investment securities	5,894	7,062
Long-term loans receivable	401	400
Deferred tax assets	231	222
Net defined benefit asset	254	255
Other	1,346	1,017
Allowance for doubtful accounts	(143)	(143)
Total investments and other assets	7,984	8,815
Total non-current assets	25,841	27,311
Total assets	63,681	62,040

(Million yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,973	10,080
Short-term loans payable	5,442	5,500
Current portion of long-term loans payable	3,665	3,576
Income taxes payable	200	47
Advances received	2,696	2,514
Provision for bonuses	534	199
Provision for construction warranties	287	277
Provision for loss on construction contracts	2,286	2,284
Provision for removal cost of property and equipment	90	90
Lease obligations	261	372
Other	1,845	1,190
Total current liabilities	28,284	26,133
Non-current liabilities		
Long-term loans payable	14,214	13,988
Lease obligations	1,823	2,245
Deferred tax liabilities	2,181	2,517
Provision for removal cost of property and equipment	8	8
Net defined benefit liability	5,024	5,119
Asset retirement obligations	450	450
Other	33	32
Total non-current liabilities	23,736	24,361
Total liabilities	52,020	50,495
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,542	2,542
Capital surplus	405	242
Retained earnings	6,364	5,560
Treasury shares	(5)	(5)
Total shareholders' equity	9,306	8,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,708	3,505
Deferred gains or losses on hedges	11	10
Foreign currency translation adjustment	(286)	(251)
Remeasurements of defined benefit plans	(169)	(157)
Total accumulated other comprehensive income	2,264	3,106
Share acquisition right	89	97
Total net assets	11,660	11,544
Total liabilities and net assets	63,681	62,040



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

Quarterly Consolidated Statements of Income [Japanese GAAP]

(Million yen)

	Three Months ended June 30, 2019	Three Months ended June 30, 2020
Net sales	10,776	11,125
Cost of sales	10,548	10,553
Gross profit	227	572
Selling, general and administrative expenses	1,309	1,411
Operating loss	(1,081)	(839)
Non-operating income		
Interest income	1	1
Dividend income	72	58
Foreign exchange gains	—	31
Share of profit of entities accounted for using equity method	26	25
Other	18	50
Total non-operating income	119	167
Non-operating expenses		
Interest expenses	64	84
Foreign exchange losses	45	—
Other	14	25
Total non-operating expenses	123	110
Ordinary loss	(1,086)	(781)
Loss before income taxes	(1,086)	(781)
Income taxes – current	37	27
Income taxes – deferred	(30)	(5)
Total income taxes	6	22
Loss	(1,092)	(803)
Loss attributable to owners of parent	(1,092)	(803)

Quarterly Consolidated Statements of Comprehensive Income [Japanese GAAP]

(Million yen)

	Three Months ended June 30, 2019	Three Months ended June 30, 2020
Loss	(1,092)	(803)
Other comprehensive income loss (loss)		
Valuation difference on available-for-sale securities	114	797
Deferred gain (loss) on hedges	9	(4)
Foreign currency translation adjustment	81	35
Remeasurements of defined benefit plans, net of tax	19	11
Comprehensive loss (income) of affiliates accounted for by the equity method attributable to the Company	(4)	3
Total other comprehensive income (loss)	220	842
Comprehensive income	(871)	38
Comprehensive income (loss) attributable to		
Owners of the parent	(871)	38
Non-controlling interests	—	—

(Segment Information)

I Three months Ended June 30, 2019 (April 1, 2019 to June 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	6,896	3,879	10,776	—	10,776
Internal sales or transfers	28	3	31	(31)	—
Total	6,924	3,883	10,808	(31)	10,776
Segment profit (loss)	(1,173)	212	(961)	(120)	(1,081)

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

Adjustments for the segment profit or loss of ¥(120) million include corporate cost of ¥(126) million not allocated to each reportable segment, allowance for doubtful accounts of ¥0 million and elimination of inter-segment transaction of ¥5 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.

(Note 3) Following the transfer of the shares and the business administration of SANOTEC Corporation from Sanoyas MTG Corporation to Sanoyas Shipbuilding Corporation in January 2020, we transferred SANOTEC Corporation from a part of Machinery & Technology Business to a part of Shipbuilding & Engineering Business. The segment information for the previous period is restated to current period presentation.

II Three months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

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	7,646	3,479	11,125	—	11,125
Internal sales or transfers	41	—	41	(41)	—
Total	7,687	3,479	11,167	(41)	11,125
Segment profit (loss)	(292)	(440)	(733)	(105)	(839)

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

Adjustments for the segment loss of ¥(105) million include corporate cost of ¥(118) million not allocated to each reportable segment, allowance for doubtful accounts of ¥3 million and elimination of inter-segment transaction of ¥8 million.

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

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

### 3. Supplementary information

#### Status of sales and orders

##### Segmental sales

Segment	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)		Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	
	(Million yen)	Composition ratio (%)	(Million yen)	Composition ratio (%)
Shipbuilding & Engineering Business	6,896	64.0	7,646	68.7
Machinery & Technology Business	3,879	36.0	3,479	31.3
Total	10,776	100.0	11,125	100.0

##### Order status and backlog of orders

Segment	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)		Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	
	Orders (Million yen)	Backlog of orders (Million yen)	Orders (Million yen)	Backlog of orders (Million yen)
Shipbuilding & Engineering Business	1,633	35,870	793	30,316
Machinery & Technology Business	4,018	8,330	3,960	8,773
Total	5,652	44,200	4,753	39,089

(Note) The backlog of orders of shipbuilding in the Shipbuilding & Engineering Business as of June 30, 2019 is stated on the percentage of completion method and the number of backlog of orders is 11 on delivery basis.