

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 Second Quarter of Fiscal Year Ending March 31, 2021 [Japanese GAAP]



October 30, 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: November 16, 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 Second Quarter of Fiscal Year Ending March 31, 2021 (April 1, 2020 to September 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	%
Six months ended								
September 30, 2020	21,710	(7.1)	(2,234)	–	(2,104)	–	(2,134)	–
September 30, 2019	23,376	3.0	(1,608)	–	(1,495)	–	(1,505)	–

(Note) Comprehensive income: Second Quarter of fiscal year ended March 31, 2021: ¥(767) million [–%]

Second Quarter of fiscal year ended March 31, 2020: ¥(1,216)million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	(65.28)	–
September 30, 2019	(46.20)	–

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2020	61,762	10,773	17.3
March 31, 2020	63,681	11,660	18.2

(Reference) Equity: As of September 30, 2020: ¥10,675 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
Fiscal year ended March 31, 2020	Yen —	Yen 0.00	Yen —	Yen 5.00	Yen 5.00
Fiscal year ending March 31, 2021	—	0.00			
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):

September 30, 2020: 32,848,066 shares

March 31, 2020: 32,637,500 shares

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

September 30, 2020: 20,715 shares

March 31, 2020: 20,715 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 32,707,027 shares

Six months ended September 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 second quarter ended September 30, 2020 decreased by ¥1,665 million (7.1%) over the same period of the previous fiscal year, to ¥21,710 million. Operating loss was ¥2,234 million (operating loss of the same period of the previous fiscal year was ¥1,608 million), ordinary loss was ¥2,104 million (ordinary loss of the same period of the previous fiscal year was ¥1,495 million), and quarterly net loss attributable to parent company shareholder was ¥2,134 million (quarterly net loss attributable to parent company shareholder of the same period of the previous fiscal year was ¥1,505 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, with the result that we received new orders of 2 vessels of new 82,000 DWT type PANAMAX bulk carriers. The number of backlog of orders was 13 vessels as of September 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 ¥33,227 million on a percentage of completion method.

The segment net sales in the second quarter ended September 30, 2020 decreased by ¥334 million (2.4%) over the same period of the previous fiscal year, to ¥14,122 million due to slowing down of the building pace of new ships following current situation on new orders received. 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 second quarter ending September 30, 2020. The allowance for future loss on construction contracts including the newly ordered vessels increased. As a result, the profitability of the vessels deteriorated and the operating loss was ¥1,450 million (operating loss of the same period of the previous fiscal year was ¥2,164 million).

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

Regarding the Machinery & Technology business, COVID-19 have had a significant impact on its performance continuously. Though precision machining for semiconductor manufacturing equipment continued to increase, other businesses have been sluggish owing to decline in sales of mechanical car parking devices and shot blast machines, construction of air conditioning and water supply/wastewater facilities and rental of construction project elevators. The amusement park business, which had been severely depressed due to the declaration of state of emergency and restrictions on overseas travel, and had a negative impact on the performance of Machinery & Technology group, has shown some signs of recovery owing to easing of restrictions, although it is still in difficult condition. As a result of the business activities, the segment backlog of orders was ¥8,794 million.

The segment net sales in the first quarter ended September 30, 2020 decreased by ¥1,321 million (14.8%) over the same period of the previous fiscal year, to ¥7,588 million. The operating loss was ¥573 million (operating loss of the same period of the previous fiscal year was ¥744 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 are unable to prospect number of visitors owing to factors such as increase in the number of people infected by COVID-19, although we reopened major facilities in June 2020 and they are recovering moderately 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 September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	15,623	10,527
Notes and accounts receivable - trade	15,085	16,138
Electronically recorded monetary claims - operating	535	428
Securities	500	—
Merchandise and finished goods	179	185
Work in process	1,464	2,303
Raw materials and supplies	829	766
Other	3,656	3,015
Allowance for doubtful accounts	(33)	(30)
Total current assets	37,839	33,334
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,310	6,223
Machinery and equipment, net	3,003	2,918
Land	5,168	5,245
Other, net	1,883	2,279
Total property, plant and equipment	16,365	16,667
Intangible assets		
Software	550	1,251
Goodwill	901	853
Other	39	40
Total intangible assets	1,490	2,146
Investments and other assets		
Investment securities	5,894	7,840
Long-term loans receivable	401	400
Deferred tax assets	231	220
Net defined benefit asset	254	263
Other	1,346	992
Allowance for doubtful accounts	(143)	(102)
Total investments and other assets	7,984	9,613
Total non-current assets	25,841	28,427
Total assets	63,681	61,762

(Million yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,973	9,352
Short-term loans payable	5,442	5,000
Current portion of long-term loans payable	3,665	3,584
Income taxes payable	200	89
Advances received	2,696	2,712
Provision for bonuses	534	518
Provision for construction warranties	287	273
Provision for loss on construction contracts	2,286	2,685
Provision for removal cost of property and equipment	90	99
Lease obligations	261	391
Other	1,845	1,025
Total current liabilities	28,284	25,732
Non-current liabilities		
Long-term loans payable	14,214	13,978
Lease obligations	1,823	2,900
Deferred tax liabilities	2,181	2,721
Provision for removal cost of property and equipment	8	—
Net defined benefit liability	5,024	5,186
Asset retirement obligations	450	441
Other	33	27
Total non-current liabilities	23,736	25,256
Total liabilities	52,020	50,989
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,542	2,559
Capital surplus	405	259
Retained earnings	6,364	4,229
Treasury shares	(5)	(5)
Total shareholders' equity	9,306	7,042
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,708	4,012
Deferred gains or losses on hedges	11	2
Foreign currency translation adjustment	(286)	(240)
Remeasurements of defined benefit plans	(169)	(142)
Total accumulated other comprehensive income	2,264	3,632
Share acquisition right	89	97
Total net assets	11,660	10,773
Total liabilities and net assets	63,681	61,762



(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, 2019	Six Months ended September 30, 2020
Net sales	22,376	21,710
Cost of sales	22,496	21,206
Gross profit	879	504
Selling, general and administrative expenses	2,488	2,739
Operating loss	(1,608)	(2,234)
Non-operating income		
Interest income	6	5
Dividend income	77	61
Share of profit of entities accounted for using equity method	171	57
Foreign exchange gains	—	42
Other	29	184
Total non-operating income	285	351
Non-operating expenses		
Interest expenses	130	175
Other	42	45
Total non-operating expenses	173	220
Ordinary loss	(1,495)	(2,104)
Extraordinary income		
Gain on sale of non-current assets	98	—
Total extraordinary income	98	—
Loss before income taxes	(1,397)	(2,104)
Income taxes – current	103	51
Income taxes – deferred	4	(20)
Total income taxes	108	30
Loss	(1,505)	(2,134)
Loss attributable to owners of parent	(1,505)	(2,134)

Quarterly Consolidated Statements of Comprehensive Income [Japanese GAAP]

(Million yen)

	Three Months ended September 30, 2019	Three Months ended September 30, 2020
Loss	(1,505)	(2,134)
Other comprehensive income loss (loss)		
Valuation difference on available-for-sale securities	239	1,304
Deferred gain (loss) on hedges	(5)	(13)
Foreign currency translation adjustment	19	46
Remeasurements of defined benefit plans, net of tax	39	27
Comprehensive loss (income) of affiliates accounted for by the equity method attributable to the Company	(3)	4
Total other comprehensive income (loss)	289	1,367
Comprehensive income	(1,216)	(767)
Comprehensive income (loss) attributable to		
Owners of the parent	(1,216)	(767)
Non-controlling interests	—	—

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

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Loss before income taxes	(1,397)	(2,104)
Depreciation	786	767
Amortization of goodwill	34	47
Increase (decrease) in net defined benefit liability	264	162
Increase (decrease) in allowance for doubtful accounts	6	(43)
Increase (decrease) in provision for bonuses	(1)	(15)
Increase (decrease) in provision for construction warranties	(18)	(13)
Increase (decrease) in provision for loss on construction contracts	21	398
Interest and dividend income	(84)	(67)
Interest expenses	130	175
Foreign exchange losses (gains)	1	(25)
Gain on sales of non-current assets	(98)	—
Decrease (increase) in notes and accounts receivable - trade	518	(907)
Decrease (increase) in inventories	(488)	(786)
Decrease (increase) in advance payments	(962)	(304)
Increase (decrease) in notes and accounts payable - trade	(1,277)	(1,754)
Increase (decrease) in advances received	(1,079)	49
Decrease (increase) in consumption taxes refund receivable	479	754
Other, net	(660)	(633)
<b>Subtotal</b>	<b>(3,825)</b>	<b>(4,300)</b>
Interest and dividend income received	83	67
Interest expenses paid	(131)	(175)
Insurance income	245	—
Income taxes (paid) refund	174	73
<b>Net cash provided by (used in) operating activities</b>	<b>(3,453)</b>	<b>(4,334)</b>

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Payments into time deposits	(150)	(142)
Proceeds from withdrawal of time deposits	365	142
Purchase of property, plant and equipment	(910)	(361)
Proceeds from sales of property, plant and equipment	231	68
Purchase of intangible assets	(109)	(81)
Purchase of investment securities	(7)	(9)
Proceeds from sales of investment securities	37	—
Proceeds from redemption of investment securities	—	500
Proceeds from cancellation of insurance fund	—	236
Other, net	38	(18)
Net cash provided by (used in) investing activities	(505)	334
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(580)	(442)
Proceeds from long-term loans payable	2,200	1,606
Repayments of long-term loans payable	(1,585)	(1,926)
Cash dividends paid	(162)	(163)
Other, net	(90)	(182)
Net cash provided by (used in) financing activities	(218)	(1,108)
Effect of exchange rate change on cash and cash equivalents	(4)	13
Net increase (decrease) in cash and cash equivalents	(4,182)	(5,095)
Cash and cash equivalents at beginning of period	19,323	15,053
Cash and cash equivalents at end of period	15,140	9,957

(Segment Information)

I 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	14,466	8,909	23,376	—	23,376
Internal sales or transfers	64	7	71	(71)	—
Total	14,531	8,916	23,447	(71)	23,376
Segment profit (loss)	(2,164)	744	(1,420)	(188)	(1,608)

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

Adjustments for the segment profit or loss 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.

(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 Six months Ended September 30, 2020 (April 1, 2020 to September 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	14,122	7,588	21,710	—	21,710
Internal sales or transfers	85	—	85	(85)	—
Total	14,208	7,588	21,796	(85)	21,710
Segment profit (loss)	(1,450)	(573)	(2,023)	(211)	(2,234)

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

Adjustments for the segment loss of ¥(211) million include corporate cost of ¥(230) million not allocated to each reportable segment, allowance for doubtful accounts of ¥5 million and elimination of inter-segment transaction of ¥14 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.

(Significant subsequent events)

(Sale of investment securities)

We sold a portion of investment securities (1 listed security) held by our consolidated subsidiary. Accordingly, we will record ¥3,639 million of the gain on sales of investment securities (extraordinary income) for the third quarter of fiscal year ending March 31, 2021.

### 3. Supplementary information

Status of sales and orders

Segmental sales

Segment	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)		Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	
	(Million yen)	Composition ratio (%)	(Million yen)	Composition ratio (%)
Shipbuilding & Engineering Business	14,466	61.9	14,122	65.0
Machinery & Technology Business	8,909	38.1	7,588	35.0
Total	23,376	100.0	21,710	100.0

Order status and backlog of orders

Segment	Six months ended September 30, 2020 (April 1, 2019 to June 30, 2019)		Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	
	Orders (Million yen)	Backlog of orders (Million yen)	Orders (Million yen)	Backlog of orders (Million yen)
Shipbuilding & Engineering Business	12,731	39,670	10,073	33,227
Machinery & Technology Business	7,191	8,142	7,859	8,794
Total	19,923	47,813	17,932	42,021

(Note) The backlog of orders of shipbuilding in the Shipbuilding & Engineering Business as of September 30, 2020 is stated on the percentage of completion method and the number of backlog of orders is 13 on delivery basis.