

Consolidated Financial Results for the 2nd Quarter of FY2020

November 10, 2020

Sanoh Industrial Co.,Ltd.

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Consolidated Results for the 2nd Quarter of FY2020



(Unit : Million JPY)

	2nd Quarter of FY2019		2nd Quarter of 2020				Revised forecast for first half of FY2020	
	Actual	%	Actual	%	Variance		Actual	Achievement (%)
					Amount	%		
Sales	72,445	100.0	46,948	100.0	-25,498	-35.2	44,700	105.0
Operating income	2,878	4.0	-2,480	-5.3	-5,358	-	-2,900	-
Ordinary income	2,459	3.4	-2,387	-5.1	-4,846	-	-3,000	-
Net income	2,062	2.8	-1,137	-2.4	-3,199	-	-1,800	-

● Performance for Q2 FY2020 (Quarter over Quarter)

- Sales : -35.2% (-25,498)
Significant decrease in sales due to the global spread of COVID-19, especially in Japan, America and Europe.
- Operating income : -5,358
Operating loss occurred (-2,480) due to the significant decrease in sales, although fixed expenses were reduced.
- Ordinary income : -4,846
Decrease in ordinary income due to operating loss.
- Net income : -3,199
Net income fell into the red as the ordinary loss exceeded gain on sales of investment securities (+1,247) and insurance claim income (+345).

● Exchange rate

Exchange rate (Unit: JPY)	Average rate 2nd Quarter FY2019	Average rate 2nd Quarter FY2020	Volatility
1 USD	110.1	108.3	-2%
1 EUR	124.3	119.3	-4%
1 MXN	5.8	5.1	-12%
1 RMB	16.2	15.4	-5%
1 INR	1.6	1.4	-9%
1 THB	3.5	3.4	-2%
1 RUB	1.7	1.6	-7%
1 BRL	28.7	22.4	-22%

Net sales and operating income by Business segments



(Unit : Million JPY)

	Sales			Operating Profit		
	FY2019 2nd quarter	FY2020 2nd quarter	Variance	FY2019 2nd quarter	FY2020 2nd quarter	Variance
	Actual	Actual	Amount	Actual	Actual	Amount
Japan	28,007	17,956	-10,051	1,443	-1,265	-2,708
America	22,380	12,612	-9,768	568	-954	-1,522
Europe	12,533	9,048	-3,485	-75	-232	-157
China	9,674	8,422	-1,252	255	345	+90
Asia	11,329	6,219	-5,110	943	-87	-1,030
Adjs.	-11,478	-7,310	+4,168	-256	-287	-31
TOTAL	72,445	46,948	-25,498	2,878	-2,480	-5,358

● Performance of Q2 FY2020 (Quarter over Quarter)

- JAPAN (Decrease in sales, operating loss): Significant decrease in sales and an operating loss occurred due to volume reduction from customers caused by COVID-19, although fixed expenses were reduced.
- AMERICA (Decrease in sales, operating loss): Temporary shutdown caused by COVID-19 and the sharp rise in material cost due to foreign exchange resulted in a significant decrease in sales and an operating loss, although fixed expenses were reduced.
- EUROPE (Decrease in sales, operating loss): Although fixed expenses were reduced by lay-offs, shortened working hours and application for employment subsidy, volume reduction from customers caused by COVID-19 resulted in the decrease in sales and the operating loss.
- CHINA (Decrease in sales, increase in profits): Sales in China bottomed out at 2nd quarter for FY2020. And also the efforts to reduce fixed expenses contributed to an increase in profits.
- ASIA (Decrease in sales, operating loss): Decrease in sales and an operating loss occurred due to volume reduction from customers caused by COVID-19, although efforts were made to reduce fixed expenses.

Results of analysis - Net income -



(Unit : Million JPY)

	2nd Quarter of FY2019	2nd Quarter of FY2020			Comments	
		Actual	Actual	Variance		
				Amount		%
Operating income	2,878	-2,480	- 5,358	-		
Non- Operating	Income	612	864	+ 253		Subsidy income : +531 Decrease in other non-operating income : - 222
	Expenses	1,031	772	+ 259		Decrease in foreign exchange losses : +296
Ordinary income	2,459	-2,387	- 4,846	-		
Extraordinary income	1,931	1,612	- 319		Decrease in gain on sales of non-current assets : -1,911 Gain on sales of investment securities : +1,247 Insurance claim income : +345	
Extraordinary loss	436	45	+ 391		Decrease in impairment loss : +302 (FY2019Q1: Japan -164, Europe -138)	
Income before income taxes and minority	3,954	-820	- 4,774	-		
Total Income Taxes	1,507	261	+ 1,246			
Net income attributable to non-controlling interests	384	55	+ 329			
Net Income	2,062	-1,137	- 3,199	-		

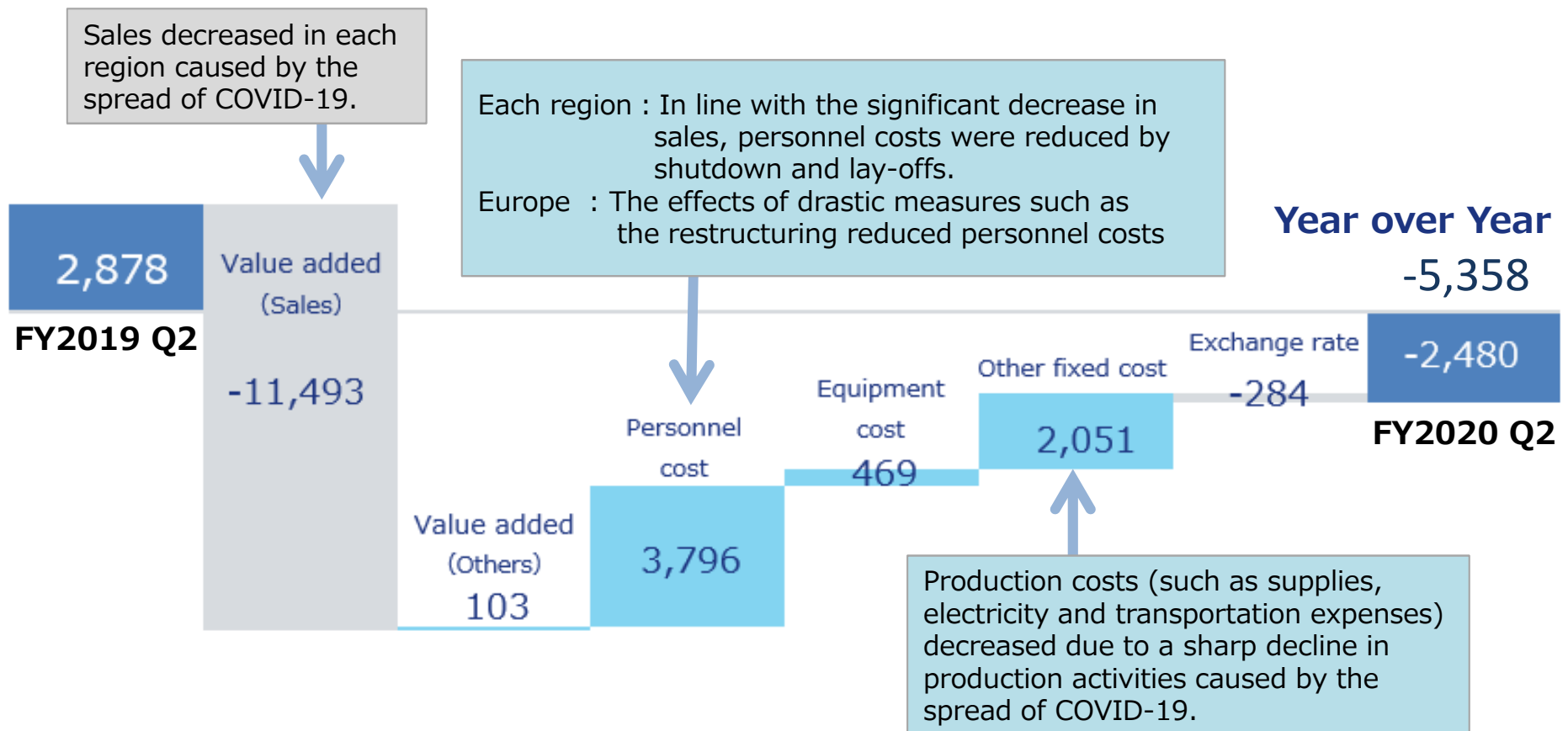
Results of analysis - Operating income -



● Analysis of operating income Q2 FY2020

(Unit : Million JPY)

Although efforts were made to reduce fixed expenses in response to the decline in production caused by the spread of COVID-19, sharp drop in sales resulted in a significant loss in profit.



Consolidated Balance Sheet



Unit: Millions of JPY		FY2019 as of March 31, 2020		2nd Quarter of FY2020 as of September 30, 2020			Analysis
		Actual	%	Actual	%	Variance	
	Current	53,802	56.9	48,567	56.8	- 5,235	TOTAL Assets : - 9,066 ① Cash and deposits : - 3,263 (Impact of sales decrease due to the spread of COVID-19) ② Notes and accounts receivable-trade : - 2,251 (Impact of sales decrease due to the spread of COVID-19) ③ Property, plant and equipment : - 2,155 (Effect of foreign exchange to JPY, especially Mexican Peso) ④ Investment in securities : - 1,368 (Impact of listed shares sold)
	Non-current	40,796	43.1	36,965	43.2	- 3,832	
TOTAL Assets		94,598	100.0	85,532	100.0	- 9,066	
	Current	41,042	43.4	38,420	44.9	- 2,622	
	Non-current	19,584	20.7	17,526	20.5	- 2,058	
	TOTAL Liabilities		60,626	64.1	55,945	65.4	- 4,681
Net assets		33,972	35.9	29,587	34.6	- 4,385	Net assets : - 4,385 ⑧ Retained earnings : - 1,483 ⑨ Foreign currency translation adjustment : - 1,891 ⑩ Non-controlling interests : - 1,122
Total liabilities and net assets		94,598	100.0	85,532	100.0	- 9,066	

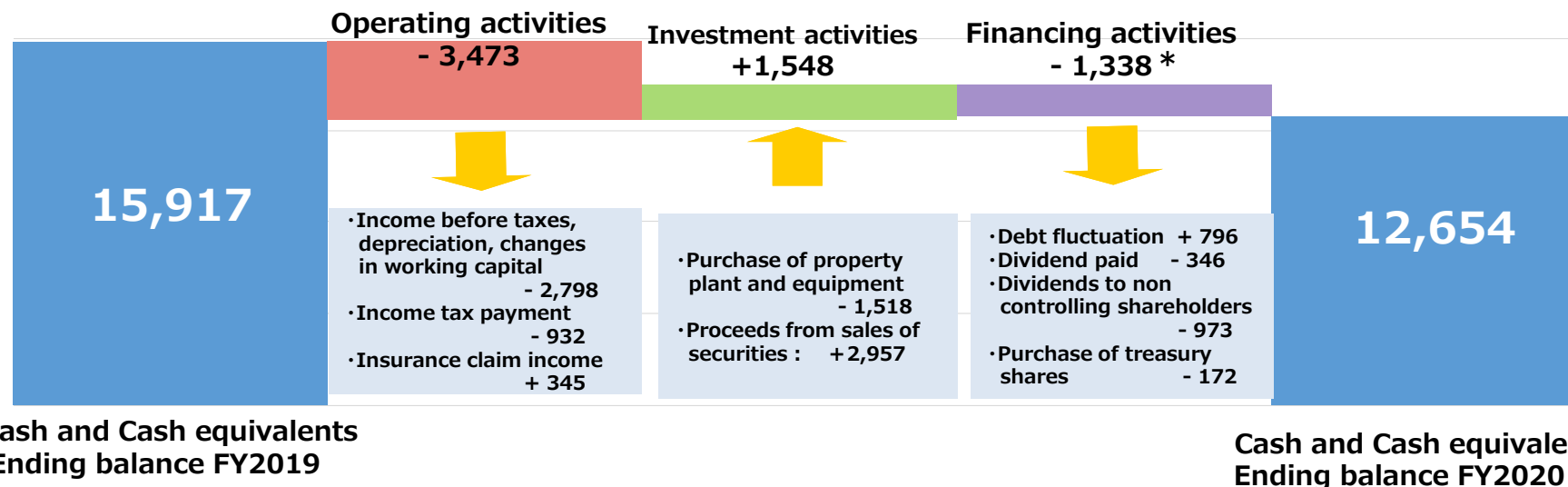
- Cash in hand : Monthly sales × 160%
- Current ratio : 131.1% ⇒ 126.4%, Quick ratio : 83.7% ⇒ 75.1%
- Debts : 33.3 billion JPY ⇒ 33.9 billion JPY, D/E : 0.98 ⇒ 1.15, Net D/E : 0.51 ⇒ 0.72
- Net assets/total assets : 35.9% ⇒ 34.6%

Consolidated Cash Flow of 2nd Quarter FY2020



● Cash Flow Results: 2nd Quarter FY2020

(Unit : Million JPY)



*Effect on exchange rate change on cash and cash equivalents (- 644M JPY) is included in financial activities.

● Situation of Capital investment (Consolidated)

Unit: Millions of JPY	2nd Quarter of FY2019	2nd Quarter of FY2020	
		Actual	Variance
Capital investment	4,447	1,518	- 2,928
Depreciation	2,594	2,504	- 89

Revised earnings and dividends forecast of FY2020



Based on the 1st Half results and the current situation, we announced the revision of earnings and dividends forecast for FY2020 as below:

Unit: Million JPY

FY2020 Forecast	Original Forecast (August 27, 2020)	Revised forecast (November 10, 2020)	Comparison (Million JPY)	Comparison (%)
Sales	103,000	106,000	+3,000	+2.9%
Operating income [Operating income %]	-100 -0.1%	700 +0.7%	+800	-
Ordinary income [Ordinary income %]	-500 -0.5%	600 +0.6%	+1,100	-
Net income [Net income %]	100 +0.1%	1,000 +0.9%	+900	+900.0%
Net profit per share (JPY)	+2.75	+27.50	+24.75	-
Dividend (JPY)	-	7.0	-	-

Reasons of the revised forecast

◆ Sales & Income

Increase in annual sales & income is expected due to the upside in 1st half results compared to the original forecast and the recovery from July to September of oversea car markets.

◆ Dividends

Based on expected increase in net income and a viewpoint of stable and continuous dividends, annual dividend forecast is 7.0 JPY pre share (3.0 JPY for interim dividend and 4.0 JPY for year-end dividend).