

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2023 (Based on Japanese GAAP)

January 11, 2024

Company name: Sanko Gosei Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7888 URL <https://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 12, 2024
 Scheduled date to commence dividend payments: February 1, 2024
 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, 2023 (from June 1, 2023 to November 30, 2023)

(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, 2023	45,924	19.2	2,041	24.2	1,977	5.0	1,331	(1.0)
Six months ended November 30, 2022	38,518	32.0	1,644	99.3	1,883	157.1	1,345	120.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2023	43.68		-	
Six months ended November 30, 2022	44.13		-	

(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, 2023	70,450	27,981	39.0	900.43
As of May 31, 2023	65,580	25,950	38.9	835.82

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, 2023	-	7.00	-	9.00	16.00
Year ending May 31, 2024	-	10.00	-	-	-
Year ending May 31, 2024 (Forecast)	-	-	-	10.00	20.00

3. Forecast of consolidated financial results for the year ending May 31, 2024 (from June 1, 2023 to May 31, 2024)

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	85,000	4.8	3,800	9.1	3,600	3.8	2,300	9.7	75.44

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2023
(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, 2023	30,688,569 shares	As of May 31, 2023	30,688,569 shares
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Number of treasury shares at the end of the period

As of November 30, 2023	204,786 shares	As of May 31, 2023	204,786 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, 2023	30,483,783 shares	Six months ended November 30, 2022	30,483,820 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	8,775	8,549
Notes receivable - trade	99	7
Electronically recorded monetary claims - operating	1,044	1,198
Accounts receivable - trade	15,728	17,303
Merchandise and finished goods	1,322	1,370
Work in process	4,580	4,798
Raw materials and supplies	1,763	1,927
Other	3,329	2,959
Total current assets	36,644	38,114
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,038	11,420
Machinery, equipment and vehicles, net	9,546	10,461
Tools, furniture and fixtures, net	1,881	2,305
Land	5,072	5,136
Construction in progress	1,285	1,719
Total property, plant and equipment	27,824	31,043
Intangible assets		
Goodwill	80	64
Other	453	476
Total intangible assets	534	540
Investments and other assets		
Investment securities	17	20
Other	559	731
Total investments and other assets	577	751
Total non-current assets	28,935	32,336
Total assets	65,580	70,450

(Millions of yen)

	As of May 31, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,940	8,629
Electronically recorded obligations - operating	3,794	3,312
Short-term borrowings	5,811	5,717
Current portion of long-term borrowings	2,194	2,340
Income taxes payable	538	581
Provision for bonuses	195	180
Provision for bonuses for directors (and other officers)	53	–
Other	7,182	8,644
Total current liabilities	27,710	29,407
Non-current liabilities		
Long-term borrowings	7,403	8,337
Provision for retirement benefits for directors (and other officers)	16	16
Retirement benefit liability	724	663
Other	3,774	4,044
Total non-current liabilities	11,919	13,061
Total liabilities	39,630	42,468
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,071	4,071
Retained earnings	16,399	17,457
Treasury shares	(43)	(43)
Total shareholders' equity	24,436	25,494
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Remeasurements of defined benefit plans	(170)	(146)
Foreign currency translation adjustment	1,214	2,100
Total accumulated other comprehensive income	1,042	1,954
Non-controlling interests	470	533
Total net assets	25,950	27,981
Total liabilities and net assets	65,580	70,450

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, 2022	Six months ended November 30, 2023
Net sales	38,518	45,924
Cost of sales	32,933	39,392
Gross profit	5,585	6,531
Selling, general and administrative expenses	3,941	4,490
Operating profit	1,644	2,041
Non-operating income		
Interest income	12	34
Dividend income	0	0
Rental income	30	30
Foreign exchange gains	354	61
Other	48	75
Total non-operating income	447	202
Non-operating expenses		
Interest expenses	183	198
Loss on Derivative	0	25
Other	24	42
Total non-operating expenses	208	266
Ordinary profit	1,883	1,977
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	–	1
National subsidies	0	14
Total extraordinary income	0	17
Extraordinary losses		
Loss on retirement of non-current assets	26	44
Loss on sale of non-current assets	1	21
Extra retirement payments	–	33
Loss on tax purpose reduction entry of non-current assets	–	14
Loss on liquidation of subsidiaries and associates	–	1
Total extraordinary losses	27	115
Profit before income taxes	1,856	1,879
Income taxes	517	510
Profit	1,338	1,368
Profit (loss) attributable to non-controlling interests	(6)	37
Profit attributable to owners of parent	1,345	1,331

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2022	Six months ended November 30, 2023
Profit	1,338	1,368
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	600	908
Remeasurements of defined benefit plans, net of tax	21	24
Total other comprehensive income	623	934
Comprehensive income	1,961	2,303
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,952	2,243
Comprehensive income attributable to non-controlling interests	9	59

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2022	Six months ended November 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,856	1,879
Depreciation	1,694	1,930
Amortization of goodwill	19	20
Increase (decrease) in allowance for doubtful accounts	(0)	–
Increase (decrease) in retirement benefit liability	(33)	(38)
Interest and dividend income	(13)	(35)
Interest expenses	183	198
Loss (gain) on sale of property, plant and equipment	0	19
Loss on retirement of property, plant and equipment	26	44
Loss (gain) on valuation of derivatives	0	25
Extra retirement payments	–	33
Decrease (increase) in trade receivables	(1,564)	(1,063)
Decrease (increase) in inventories	603	(190)
Decrease (increase) in other asset	(236)	(636)
Increase (decrease) in trade payables	479	(275)
Increase (decrease) in other liability	1,037	475
Other, net	258	(4)
Subtotal	4,311	2,383
Interest and dividends received	13	35
Interest paid	(182)	(197)
Extra retirement payments	–	(33)
Income taxes paid	(461)	(404)
Net cash provided by (used in) operating activities	3,681	1,782
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	–	1
Purchase of property, plant and equipment	(1,075)	(2,078)
Proceeds from sale of property, plant and equipment	0	13
Other, net	(36)	(45)
Net cash provided by (used in) investing activities	(1,111)	(2,108)

(Millions of yen)

	Six months ended November 30, 2022	Six months ended November 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,327	(192)
Proceeds from long-term loan payable	–	2,000
Repayments of long-term borrowings	(937)	(1,125)
Repayments of lease liabilities	(802)	(583)
Dividends paid	(213)	(274)
Dividends paid to non-controlling interests	(5)	(1)
Net cash provided by (used in) financing activities	(630)	(176)
Effect of exchange rate change on cash and cash equivalents	173	278
Net increase (decrease) in cash and cash equivalents	2,112	(225)
Cash and cash equivalents at beginning of period	6,822	8,775
Cash and cash equivalents at end of period	8,934	8,549