

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2023 (Based on Japanese GAAP)

July 10, 2023

Company name: Sanko Gosei Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7888 URL <http://www.sankogosei.co.jp>
 Representative: Representative Director/President Kenso Kuroda
 Inquiries: Director/Executive Officer Akira Serikawa TEL 0763-52-7105
 Scheduled date of ordinary general meeting of shareholders: August 24, 2023
 Scheduled date to file Securities Report: August 25, 2023
 Scheduled date to commence dividend payments: August 25, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(1) Consolidated operating results

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	%
Year ended May 31, 2023	81,113	23.5	3,484	37.0	3,468	43.5	2,096	15.7
Year ended May 31, 2022	65,661	19.1	2,543	5.5	2,416	23.8	1,811	39.1

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended May 31, 2023	68.78	–	8.7	5.6	4.3
Year ended May 31, 2022	59.43	–	8.4	4.2	3.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2023	65,580	25,950	38.9	835.82
As of May 31, 2022	58,409	23,251	39.1	748.46

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended May 31, 2023	6,790	(2,873)	(2,248)	8,775
Year ended May 31, 2022	3,011	(2,352)	(2,360)	6,822

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended May 31, 2022	–	7.00	–	7.00	14.00	426	23.6	2.0
Year ended May 31, 2023	–	7.00	–	9.00	16.00	487	23.3	2.0
Year ending May 31, 2024 (Forecast)	–	9.00	–	9.00	18.00		23.9	

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 year ended May 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of May 31, 2023	30,688,569 shares	As of May 31, 2022	30,688,569 shares
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Number of treasury shares at the end of the period

As of May 31, 2023	204,786 shares	As of May 31, 2022	204,749 shares
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Average number of shares during the period

Year ended May 31, 2023	30,483,809 shares	Year ended May 31, 2022	30,483,837 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	6,822	8,775
Notes receivable - trade	32	99
Electronically recorded monetary claims - operating	631	1,044
Accounts receivable - trade	14,007	15,728
Merchandise and finished goods	1,896	1,322
Work in process	3,306	4,580
Raw materials and supplies	1,777	1,763
Other	2,248	3,329
Allowance for doubtful accounts	(0)	-
Total current assets	30,721	36,644
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,165	24,025
Accumulated depreciation	(13,008)	(13,987)
Buildings and structures, net	9,157	10,038
Machinery, equipment and vehicles	32,396	34,325
Accumulated depreciation	(22,890)	(24,779)
Machinery, equipment and vehicles, net	9,505	9,546
Tools, furniture and fixtures	10,550	11,263
Accumulated depreciation	(8,573)	(9,382)
Tools, furniture and fixtures, net	1,977	1,881
Land	4,977	5,072
Construction in progress	977	1,285
Total property, plant and equipment	26,595	27,824
Intangible assets		
Goodwill	109	80
Other	416	453
Total intangible assets	526	534
Investments and other assets		
Investment securities	18	17
Deferred tax assets	350	353
Other	196	205
Total investments and other assets	566	577
Total non-current assets	27,687	28,935
Total assets	58,409	65,580

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,963	7,940
Electronically recorded obligations - operating	2,585	3,794
Short-term borrowings	6,341	5,811
Current portion of long-term borrowings	1,870	2,194
Lease liabilities	1,151	1,242
Income taxes payable	464	538
Provision for bonuses	169	195
Provision for bonuses for directors (and other officers)	34	53
Other	3,560	5,940
Total current liabilities	23,141	27,710
Non-current liabilities		
Long-term borrowings	7,343	7,403
Lease liabilities	3,359	3,311
Deferred tax liabilities	53	80
Provision for retirement benefits for directors (and other officers)	18	16
Retirement benefit liability	832	724
Other	408	382
Total non-current liabilities	12,017	11,919
Total liabilities	35,158	39,630
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,071	4,071
Retained earnings	14,729	16,399
Treasury shares	(43)	(43)
Total shareholders' equity	22,766	24,436
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(1)
Foreign currency translation adjustment	279	1,214
Remeasurements of defined benefit plans	(226)	(170)
Total accumulated other comprehensive income	49	1,042
Non-controlling interests	435	470
Total net assets	23,251	25,950
Total liabilities and net assets	58,409	65,580

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net sales	65,661	81,113
Cost of sales	55,956	69,622
Gross profit	9,704	11,490
Selling, general and administrative expenses	7,160	8,006
Operating profit	2,543	3,484
Non-operating income		
Interest income	11	34
Dividend income	1	1
Foreign exchange gains	93	262
Rental income	65	61
Gain on sale of scraps	39	56
Other	155	46
Total non-operating income	365	461
Non-operating expenses		
Interest expenses	361	368
De	52	18
Commission expenses	13	53
Other	66	37
Total non-operating expenses	493	477
Ordinary profit	2,416	3,468
Extraordinary income		
Gain on sale of non-current assets	188	0
National subsidies	15	–
Total extraordinary income	204	0
Extraordinary losses		
Loss on sale of non-current assets	8	22
Loss on retirement of non-current assets	59	52
Loss on valuation of investment securities	–	5
Impairment losses	–	104
Loss on tax purpose reduction entry of non-current assets	15	–
Total extraordinary losses	83	185
Profit before income taxes	2,537	3,284
Income taxes - current	643	1,168
Income taxes - deferred	41	4
Total income taxes	684	1,173
Profit	1,853	2,111
Profit attributable to non-controlling interests	41	14
Profit attributable to owners of parent	1,811	2,096

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Profit	1,853	2,111
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Foreign currency translation adjustment	1,123	956
Remeasurements of defined benefit plans, net of tax	51	55
Total other comprehensive income	1,174	1,014
Comprehensive income	3,027	3,125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,953	3,089
Comprehensive income attributable to non-controlling interests	74	35

Consolidated statements of changes in equity

Fiscal year ended May 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,008	4,071	13,344	(43)	21,381
Changes during period					
Dividends of surplus			(426)		(426)
Profit attributable to owners of parent			1,811		1,811
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,385	(0)	1,385
Balance at end of period	4,008	4,071	14,729	(43)	22,766

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(2)	(810)	(278)	(1,092)	360	20,649
Changes during period						
Dividends of surplus						(426)
Profit attributable to owners of parent						1,811
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	(0)	1,090	51	1,141	75	1,216
Total changes during period	(0)	1,090	51	1,141	75	2,601
Balance at end of period	(3)	279	(226)	49	435	23,251

Fiscal year ended May 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,008	4,071	14,729	(43)	22,766
Changes during period					
Dividends of surplus			(426)		(426)
Profit attributable to owners of parent			2,096		2,096
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,670	(0)	1,670
Balance at end of period	4,008	4,071	16,399	(43)	24,436

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(3)	279	(226)	49	435	23,251
Changes during period						
Dividends of surplus						(426)
Profit attributable to owners of parent						2,096
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	2	935	55	993	35	1,028
Total changes during period	2	935	55	993	35	2,698
Balance at end of period	(1)	1,214	(170)	1,042	470	25,950

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,537	3,284
Depreciation	3,162	3,565
Amortization of goodwill	35	38
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	(9)	(74)
Interest and dividend income	(12)	(34)
Interest expenses	361	368
Gain on sales of property, plant and equipment	(188)	(0)
Loss on sales and retirement of property, plant and equipment	8	22
Loss on retirement of property, plant and equipment	59	52
Loss (gain) on valuation of derivatives	52	18
Loss (gain) on valuation of investment securities	–	5
Impairment losses	–	104
Decrease (increase) in trade receivables	(108)	(1,559)
Decrease (increase) in inventories	194	(450)
Decrease (increase) in other assets	(368)	(593)
Increase (decrease) in trade payables	(1,189)	1,514
Increase (decrease) in other liabilities	(522)	1,993
Other, net	4	16
Subtotal	4,015	8,270
Interest and dividends received	12	34
Interest paid	(384)	(368)
Income taxes paid	(632)	(1,146)
Net cash provided by (used in) operating activities	3,011	6,790
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(2,995)	(2,751)
Proceeds from sale of property, plant and equipment	773	6
Other, net	(129)	(126)
Net cash provided by (used in) investing activities	(2,352)	(2,873)

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	290	(697)
Proceeds from long-term loans payable	1,759	2,000
Repayments of long-term borrowings	(2,248)	(1,855)
Redemption of bonds	(75)	–
Repayments of lease liabilities	(1,659)	(1,263)
Dividends paid	(426)	(426)
Dividends paid to non-controlling interests	–	(5)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(2,360)	(2,248)
Effect of exchange rate change on cash and cash equivalents	445	284
Net increase (decrease) in cash and cash equivalents	(1,256)	1,952
Cash and cash equivalents at beginning of period	8,079	6,822
Cash and cash equivalents at end of period	6,822	8,775