

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2021 (Based on Japanese GAAP)

July 14, 2021

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 26, 2021
 Scheduled date to file Securities Report: August 27, 2021
 Scheduled date to commence dividend payments: August 27, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended May 31, 2021 (from June 1, 2020 to May 31, 2021)

(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, 2021	55,145	8.7	2,411	247.2	2,102	954.2	1,453	–
Year ended May 31, 2020	50,716	(8.0)	694	(69.2)	199	(90.3)	(406)	–

	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, 2021	47.67	–	7.5	4.0	4.4
Year ended May 31, 2020	(13.32)	–	(2.2)	0.4	1.4

(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, 2021	56,633	20,800	36.1	670.51
As of May 31, 2020	48,107	18,551	37.8	596.67

(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, 2021	3,512	(3,320)	(102)	8,079
Year ended May 31, 2020	1,608	(2,747)	1,695	7,499

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, 2020	–	7.00	–	2.00	9.00	274	–	1.5
Year ended May 31, 2021	–	4.00	–	7.00	11.00	337	23.1	1.7
Year ending May 31, 2022 (Forecast)	–	7.00	–	7.00	14.00		23.7	

3. Forecast of consolidated financial results for the year ending May 31, 2022 (from June 1, 2021 to May 31, 2022)

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	60,000	8.8	2,900	20.3	2,700	28.4	1,800	23.9	59.05

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2021

(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, 2021	30,688,569 shares	As of May 31, 2020	30,688,569 shares
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Number of treasury shares at the end of the period

As of May 31, 2021	204,696 shares	As of May 31, 2020	204,637 shares
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Average number of shares during the period

Year ended May 31, 2021	30,483,924 shares	Year ended May 31, 2020	30,483,934 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	7,499	8,079
Notes and accounts receivable - trade	10,352	13,814
Merchandise and finished goods	1,326	1,716
Work in process	2,485	4,096
Raw materials and supplies	848	1,102
Other	2,048	1,648
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,560	30,457
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,708	20,289
Accumulated depreciation	(11,361)	(12,151)
Buildings and structures, net	7,346	8,137
Machinery, equipment and vehicles	27,349	29,726
Accumulated depreciation	(18,876)	(20,998)
Machinery, equipment and vehicles, net	8,473	8,728
Tools, furniture and fixtures	8,409	9,311
Accumulated depreciation	(7,081)	(7,800)
Tools, furniture and fixtures, net	1,328	1,510
Land	4,645	5,139
Construction in progress	574	1,637
Total property, plant and equipment	22,368	25,152
Intangible assets		
Goodwill	149	123
Other	395	374
Total intangible assets	544	497
Investments and other assets		
Investment securities	15	18
Deferred tax assets	418	328
Other	200	178
Total investments and other assets	634	525
Total non-current assets	23,547	26,176
Total assets	48,107	56,633

(Millions of yen)

	As of May 31, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,808	7,287
Electronically recorded obligations - operating	2,521	2,589
Short-term borrowings	1,979	5,820
Current portion of long-term borrowings	2,695	1,984
Current portion of bonds payable	150	75
Lease obligations	777	1,062
Income taxes payable	81	447
Provision for bonuses	114	176
Provision for bonuses for directors (and other officers)	–	44
Other	2,644	3,844
Total current liabilities	15,771	23,331
Non-current liabilities		
Bonds payable	75	–
Long-term borrowings	9,405	7,577
Lease obligations	2,802	3,556
Deferred tax liabilities	70	44
Provision for retirement benefits for directors (and other officers)	23	23
Retirement benefit liability	1,007	865
Other	400	434
Total non-current liabilities	13,784	12,501
Total liabilities	29,556	35,833
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,087	4,071
Retained earnings	12,225	13,495
Treasury shares	(43)	(43)
Total shareholders' equity	20,278	21,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(2)
Foreign currency translation adjustment	(1,669)	(810)
Remeasurements of defined benefit plans	(414)	(278)
Total accumulated other comprehensive income	(2,088)	(1,092)
Non-controlling interests	362	360
Total net assets	18,551	20,800
Total liabilities and net assets	48,107	56,633

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

(Millions of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Net sales	50,716	55,145
Cost of sales	43,901	46,372
Gross profit	6,815	8,772
Selling, general and administrative expenses	6,120	6,361
Operating profit	694	2,411
Non-operating income		
Interest income	20	17
Dividend income	1	1
Rental income	66	68
Subsidies for employment adjustment	117	127
Subsidy income	–	189
Other	60	78
Total non-operating income	265	482
Non-operating expenses		
Interest expenses	337	397
Foreign exchange losses	94	220
De	165	102
Other	163	72
Total non-operating expenses	761	791
Ordinary profit	199	2,102
Extraordinary income		
Gain on sale of non-current assets	5	3
National subsidies	39	185
Gain on bargain purchase	–	25
Other	–	1
Total extraordinary income	44	215
Extraordinary losses		
Loss on sale of non-current assets	7	4
Loss on retirement of non-current assets	91	70
Loss on tax purpose reduction entry of non-current assets	39	85
Loss on shutdown	383	–
Extra retirement payments	25	20
Total extraordinary losses	547	180
Profit (loss) before income taxes	(302)	2,137
Income taxes - current	251	743
Income taxes - deferred	(24)	(21)
Total income taxes	227	722
Profit (loss)	(530)	1,414
Loss attributable to non-controlling interests	(124)	(38)
Profit (loss) attributable to owners of parent	(406)	1,453

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Profit (loss)	(530)	1,414
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	(354)	878
Remeasurements of defined benefit plans, net of tax	(89)	136
Total other comprehensive income	(444)	1,016
Comprehensive income	(974)	2,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(829)	2,449
Comprehensive income attributable to non-controlling interests	(144)	(17)

Consolidated statements of changes in equity

Fiscal year ended May 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,008	4,087	13,081	(43)	21,134
Cumulative effects of changes in accounting policies			(23)		(23)
Restated balance	4,008	4,087	13,057	(43)	21,111
Changes during period					
Dividends of surplus			(426)		(426)
Profit attributable to owners of parent			(406)		(406)
Capital increase of consolidated subsidiaries					
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(832)	(0)	(832)
Balance at end of period	4,008	4,087	12,225	(43)	20,278

	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	(4)	(1,335)	(325)	(1,665)	516	19,985
Cumulative effects of changes in accounting policies					(9)	(32)
Restated balance	(4)	(1,335)	(325)	(1,665)	507	19,952
Changes during period						
Dividends of surplus						(426)
Profit attributable to owners of parent						(406)
Capital increase of consolidated subsidiaries						
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	0	(334)	(89)	(423)	(144)	(568)
Total changes during period	0	(334)	(89)	(423)	(144)	(1,401)
Balance at end of period	(4)	(1,669)	(414)	(2,088)	362	18,551

Fiscal year ended May 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,008	4,087	12,225	(43)	20,278
Cumulative effects of changes in accounting policies					–
Restated balance	4,008	4,087	12,225	(43)	20,278
Changes during period					
Dividends of surplus			(182)		(182)
Profit attributable to owners of parent			1,453		1,453
Capital increase of consolidated subsidiaries		(16)			(16)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	(16)	1,270	(0)	1,254
Balance at end of period	4,008	4,071	13,495	(43)	21,532

	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	(4)	(1,669)	(414)	(2,088)	362	18,551
Cumulative effects of changes in accounting policies						–
Restated balance	(4)	(1,669)	(414)	(2,088)	362	18,551
Changes during period						
Dividends of surplus						(182)
Profit attributable to owners of parent						1,453
Capital increase of consolidated subsidiaries						(16)
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	1	858	136	996	(1)	994
Total changes during period	1	858	136	996	(1)	2,248
Balance at end of period	(2)	(810)	(278)	(1,092)	360	20,800

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(302)	2,137
Depreciation	2,960	3,060
Amortization of goodwill	24	28
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in retirement benefit liability	1	95
Interest and dividend income	(21)	(18)
Interest expenses	337	397
Loss (gain) on sale of investment securities	–	(1)
Gain on sales of property, plant and equipment	(5)	(3)
Loss on sales and retirement of property, plant and equipment	7	4
Loss on retirement of property, plant and equipment	91	70
Loss (gain) on valuation of derivatives	165	102
Extra retirement payments	25	20
Subsidy income	–	(189)
Gain on bargain purchase	–	(25)
Decrease (increase) in trade receivables	1,958	(2,966)
Decrease (increase) in inventories	(705)	(2,095)
Decrease (increase) in other assets	(198)	476
Increase (decrease) in trade payables	(1,599)	2,190
Increase (decrease) in other liabilities	(284)	1,257
Other, net	(36)	(225)
Subtotal	2,417	4,316
Interest and dividends received	21	18
Interest paid	(346)	(375)
Income taxes paid	(458)	(425)
Extra retirement payments	(25)	(20)
Net cash provided by (used in) operating activities	1,608	3,512
Cash flows from investing activities		
Purchase of investment securities	(1)	(0)
Proceeds from sale of investment securities	–	1
Purchase of property, plant and equipment	(2,643)	(2,654)
Proceeds from sale of property, plant and equipment	12	9
Payments for acquisition of businesses	–	(600)
Other, net	(115)	(76)
Net cash provided by (used in) investing activities	(2,747)	(3,320)

(Millions of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(385)	3,772
Proceeds from long-term loans payable	6,271	–
Repayments of long-term borrowings	(2,800)	(2,628)
Redemption of bonds	(150)	(150)
Repayments of lease obligations	(812)	(912)
Dividends paid	(426)	(182)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	1,695	(102)
Effect of exchange rate change on cash and cash equivalents	(117)	490
Net increase (decrease) in cash and cash equivalents	439	580
Cash and cash equivalents at beginning of period	7,059	7,499
Cash and cash equivalents at end of period	7,499	8,079