

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2022 (Based on Japanese GAAP)

January 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 to file Quarterly Securities Report: January 13, 2023
 Scheduled date to commence dividend payments: January 30, 2023
 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, 2022 (from June 1, 2022 to November 30, 2022)

(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, 2022	38,518	32.0	1,644	99.3	1,883	157.1	1,345	120.4
Six months ended November 30, 2021	29,188	9.2	825	(41.0)	732	(40.8)	610	(18.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2022	44.13		-	
Six months ended November 30, 2021	20.02		-	

(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, 2022	62,976	24,999	39.0	805.50
As of May 31, 2022	58,409	23,251	39.1	748.46

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, 2022	-	7.00	-	7.00	14.00
Year ending May 31, 2023	-	7.00	-	-	-
Year ending May 31, 2023 (Forecast)	-	-	-	7.00	14.00

3. Forecast of consolidated financial results for the year ending May 31, 2023 (from June 1, 2022 to May 31, 2023)

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	68,000	3.6	2,800	10.1	2,500	3.5	1,900	4.9	62.32

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2022
(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, 2022	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 November 30, 2022	204,749 shares	As of May 31, 2022	204,749 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, 2022	30,483,820 shares	Six months ended November 30, 2021	30,483,854 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	6,822	8,934
Notes receivable - trade	32	67
Electronically recorded monetary claims - operating	631	1,182
Accounts receivable - trade	14,007	15,378
Merchandise and finished goods	1,896	1,629
Work in process	3,306	3,196
Raw materials and supplies	1,777	1,701
Other	2,248	2,591
Allowance for doubtful accounts	(0)	–
Total current assets	30,721	34,682
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,157	10,071
Machinery, equipment and vehicles, net	9,505	9,607
Tools, furniture and fixtures, net	1,977	1,918
Land	4,977	5,029
Construction in progress	977	600
Total property, plant and equipment	26,595	27,228
Intangible assets		
Goodwill	109	98
Other	416	443
Total intangible assets	525	541
Investments and other assets		
Investment securities	18	19
Other	547	503
Total investments and other assets	566	522
Total non-current assets	27,687	28,293
Total assets	58,409	62,976

(Millions of yen)

	As of May 31, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,963	7,496
Electronically recorded obligations - operating	2,585	3,003
Short-term borrowings	6,341	7,811
Current portion of long-term borrowings	1,870	1,935
Income taxes payable	464	482
Provision for bonuses	169	189
Provision for bonuses for directors (and other officers)	34	–
Other	4,712	5,948
Total current liabilities	23,141	26,866
Non-current liabilities		
Long-term borrowings	7,343	6,473
Provision for retirement benefits for directors (and other officers)	18	16
Retirement benefit liability	832	779
Other	3,821	3,839
Total non-current liabilities	12,017	11,110
Total liabilities	35,158	37,977
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,071	4,071
Retained earnings	14,729	15,861
Treasury shares	(43)	(43)
Total shareholders' equity	22,766	23,898
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(3)
Remeasurements of defined benefit plans	(226)	(204)
Foreign currency translation adjustment	279	864
Total accumulated other comprehensive income	49	656
Non-controlling interests	435	444
Total net assets	23,251	24,999
Total liabilities and net assets	58,409	62,976

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, 2021	Six months ended November 30, 2022
Net sales	29,188	38,518
Cost of sales	25,085	32,933
Gross profit	4,103	5,585
Selling, general and administrative expenses	3,278	3,941
Operating profit	825	1,644
Non-operating income		
Interest and dividend income	6	13
Rental income	32	30
Foreign exchange gains	26	354
Other	82	48
Total non-operating income	148	447
Non-operating expenses		
Interest expenses	202	183
Loss on Derivative	19	0
Other	19	24
Total non-operating expenses	241	208
Ordinary profit	732	1,883
Extraordinary income		
Gain on sale of non-current assets	169	0
Total extraordinary income	169	0
Extraordinary losses		
Loss on retirement of non-current assets	42	26
Loss on sale of non-current assets	4	1
Total extraordinary losses	46	27
Profit before income taxes	855	1,856
Income taxes	220	517
Profit	634	1,338
Profit (loss) attributable to non-controlling interests	23	(6)
Profit attributable to owners of parent	610	1,345

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2021	Six months ended November 30, 2022
Profit	634	1,338
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(44)	600
Remeasurements of defined benefit plans, net of tax	33	21
Total other comprehensive income	(11)	623
Comprehensive income	623	1,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	602	1,952
Comprehensive income attributable to non-controlling interests	20	9

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2021	Six months ended November 30, 2022
Cash flows from operating activities		
Profit before income taxes	855	1,856
Depreciation	1,499	1,694
Amortization of goodwill	15	19
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	6	(33)
Interest and dividend income	(6)	(13)
Interest expenses	202	183
Loss (gain) on sale of property, plant and equipment	(165)	0
Loss on retirement of property, plant and equipment	42	26
Loss (gain) on valuation of derivatives	19	0
Decrease (increase) in trade receivables	(612)	(1,564)
Decrease (increase) in inventories	331	603
Decrease (increase) in other asset	(952)	(236)
Increase (decrease) in trade payables	(691)	479
Increase (decrease) in other liability	724	1,037
Other, net	(64)	258
Subtotal	1,202	4,311
Interest and dividends received	6	13
Interest paid	(216)	(182)
Income taxes paid	(381)	(461)
Net cash provided by (used in) operating activities	610	3,681
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,489)	(1,075)
Proceeds from sale of property, plant and equipment	696	0
Other, net	(102)	(36)
Net cash provided by (used in) investing activities	(896)	(1,111)

(Millions of yen)

	Six months ended November 30, 2021	Six months ended November 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	451	1,327
Proceeds from long-term loan payable	1,500	–
Repayments of long-term borrowings	(1,049)	(937)
Redemption of bonds	(75)	–
Repayments of lease liabilities	(454)	(802)
Dividends paid	(213)	(213)
Dividends paid to non-controlling interests	–	(5)
Purchase of treasury shares	(0)	–
Net cash provided by (used in) financing activities	158	(630)
Effect of exchange rate change on cash and cash equivalents	(70)	173
Net increase (decrease) in cash and cash equivalents	(198)	2,112
Cash and cash equivalents at beginning of period	8,079	6,822
Cash and cash equivalents at end of period	7,881	8,934