

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended November 30, 2021 (Based on Japanese GAAP)

January 11, 2022

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, 2022
 Scheduled date to commence dividend payments: January 31, 2022
 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, 2021 (from June 1, 2021 to November 30, 2021)

(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, 2021	29,188	9.2	825	(41.0)	732	(40.8)	610	(18.0)
Six months ended November 30, 2020	26,738	(7.4)	1,399	118.5	1,238	252.3	744	198.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2021	20.02		-	
Six months ended November 30, 2020	24.41		-	

(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, 2021	57,726	21,059	35.8	678.32
As of May 31, 2021	56,633	20,649	35.8	665.56

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, 2021	-	4.00	-	7.00	14.00
Year ending May 31, 2022	-	7.00	-	-	-
Year ending May 31, 2022 (Forecast)	-	-	-	7.00	14.00

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	38.4	1,800	38.2	59.05

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2021
(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: Yes
- 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, 2021	30,688,569 shares	As of May 31, 2021	30,688,569 shares
-------------------------	-------------------	--------------------	-------------------

Number of treasury shares at the end of the period

As of November 30, 2021	204,749 shares	As of May 31, 2021	204,696 shares
-------------------------	----------------	--------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended November 30, 2021	30,483,854 shares	Six months ended November 30, 2020	30,483,932 shares
------------------------------------	-------------------	------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2021	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	8,079	7,881
Notes and accounts receivable - trade	13,814	14,523
Merchandise and finished goods	1,716	2,304
Work in process	4,096	2,999
Raw materials and supplies	1,102	1,263
Other	1,648	2,616
Allowance for doubtful accounts	(0)	(0)
Total current assets	30,457	31,587
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,137	7,895
Machinery, equipment and vehicles, net	8,728	8,643
Tools, furniture and fixtures, net	1,510	1,521
Land	5,139	4,851
Construction in progress	1,637	2,162
Total property, plant and equipment	25,152	25,074
Intangible assets		
Goodwill	123	112
Other	374	411
Total intangible assets	497	524
Investments and other assets		
Investment securities	18	17
Other	507	521
Total investments and other assets	525	539
Total non-current assets	26,176	26,139
Total assets	56,633	57,726

(Millions of yen)

	As of May 31, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,398	7,202
Electronically recorded obligations - operating	2,589	2,197
Short-term borrowings	5,820	6,325
Current portion of long-term borrowings	1,984	1,874
Current portion of bonds payable	75	–
Income taxes payable	447	309
Provision for bonuses	176	165
Provision for bonuses for directors (and other officers)	44	–
Other	4,946	5,791
Total current liabilities	23,481	23,865
Non-current liabilities		
Long-term borrowings	7,577	8,061
Provision for retirement benefits for directors (and other officers)	23	18
Retirement benefit liability	865	835
Other	4,035	3,886
Total non-current liabilities	12,501	12,801
Total liabilities	35,983	36,666
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,071	4,071
Retained earnings	13,344	13,741
Treasury shares	(43)	(43)
Total shareholders' equity	21,381	21,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(3)
Remeasurements of defined benefit plans	(278)	(244)
Foreign currency translation adjustment	(810)	(852)
Total accumulated other comprehensive income	(1,092)	(1,100)
Non-controlling interests	360	381
Total net assets	20,649	21,059
Total liabilities and net assets	56,633	57,726

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, 2020	Six months ended November 30, 2021
Net sales	26,738	29,188
Cost of sales	22,415	25,085
Gross profit	4,322	4,103
Selling, general and administrative expenses	2,923	3,278
Operating profit	1,399	825
Non-operating income		
Interest and dividend income	11	6
Rental income	33	32
Subsidies for employment adjustment	105	27
Foreign exchange gains	–	26
Other	25	54
Total non-operating income	176	148
Non-operating expenses		
Interest expenses	190	202
Foreign exchange losses	71	–
Loss on Derivative	44	19
Other	31	19
Total non-operating expenses	337	241
Ordinary profit	1,238	732
Extraordinary income		
Gain on sale of non-current assets	3	169
Gain on sale of investment securities	1	–
National subsidies	85	–
Total extraordinary income	90	169
Extraordinary losses		
Loss on retirement of non-current assets	30	42
Loss on sale of non-current assets	3	4
Extra retirement payments	11	–
Loss on tax purpose reduction entry of non-current assets	85	–
Total extraordinary losses	130	46
Profit before income taxes	1,197	855
Income taxes	491	220
Profit	705	634
Profit (loss) attributable to non-controlling interests	(38)	23
Profit attributable to owners of parent	744	610

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2020	Six months ended November 30, 2021
Profit	705	634
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	137	(44)
Remeasurements of defined benefit plans, net of tax	31	33
Total other comprehensive income	169	(11)
Comprehensive income	875	623
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	925	602
Comprehensive income attributable to non-controlling interests	(50)	20

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2020	Six months ended November 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,197	855
Depreciation	1,427	1,499
Amortization of goodwill	13	15
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in retirement benefit liability	5	6
Interest and dividend income	(11)	(6)
Interest expenses	190	202
Loss (gain) on sale of investment securities	(1)	–
Loss (gain) on sale of property, plant and equipment	0	(165)
Loss on retirement of property, plant and equipment	30	42
Loss (gain) on valuation of derivatives	44	19
Extra retirement payments	11	–
Decrease (increase) in trade receivables	(3,615)	(612)
Decrease (increase) in inventories	59	331
Decrease (increase) in other asset	18	(952)
Increase (decrease) in trade payables	1,944	(691)
Increase (decrease) in other liability	594	724
Other, net	(1)	(64)
Subtotal	1,906	1,202
Interest and dividends received	11	6
Interest paid	(151)	(216)
Income taxes paid	(186)	(381)
Extra retirement payments	(11)	–
Net cash provided by (used in) operating activities	1,568	610
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	1	–
Purchase of property, plant and equipment	(1,170)	(1,489)
Proceeds from sale of property, plant and equipment	7	696
Other, net	(10)	(102)
Net cash provided by (used in) investing activities	(1,172)	(896)

(Millions of yen)

	Six months ended November 30, 2020	Six months ended November 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,793	451
Proceeds from long-term loan payable	–	1,500
Repayments of long-term borrowings	(1,434)	(1,049)
Redemption of bonds	(75)	(75)
Repayments of lease obligations	(413)	(454)
Dividends paid	(60)	(213)
Purchase of treasury shares	–	(0)
Net cash provided by (used in) financing activities	(189)	158
Effect of exchange rate change on cash and cash equivalents	137	(70)
Net increase (decrease) in cash and cash equivalents	343	(198)
Cash and cash equivalents at beginning of period	7,499	8,079
Cash and cash equivalents at end of period	7,842	7,881