

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2022 (Based on Japanese GAAP)

July 12, 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 of ordinary general meeting of shareholders: August 25, 2022
 Scheduled date to file Securities Report: August 26, 2022
 Scheduled date to commence dividend payments: August 26, 2022
 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, 2022 (from June 1, 2021 to May 31, 2022)

(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, 2022	65,661	19.1	2,543	5.5	2,416	23.8	1,811	39.1
Year ended May 31, 2021	55,145	8.7	2,411	247.2	1,951	878.6	1,302	–

	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, 2022	59.43	–	8.4	4.2	3.9
Year ended May 31, 2021	42.72	–	6.8	3.7	4.4

(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, 2022	58,409	23,251	39.1	748.46
As of May 31, 2021	56,633	20,649	35.8	665.56

(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, 2022	3,011	(2,352)	(2,360)	6,822
Year ended May 31, 2021	3,530	(3,338)	(102)	8,079

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, 2021	–	4.00	–	7.00	11.00	337	25.7	1.7
Year ended May 31, 2022	–	7.00	–	7.00	14.00	426	23.6	2.0
Year ending May 31, 2023 (Forecast)	–	7.00	–	7.00	14.00		22.5	

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 year ended May 31, 2022

(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: Yes

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, 2022	30,688,569 shares	As of May 31, 2021	30,688,569 shares
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Number of treasury shares at the end of the period

As of May 31, 2022	204,749 shares	As of May 31, 2021	204,696 shares
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Average number of shares during the period

Year ended May 31, 2022	30,483,837 shares	Year ended May 31, 2021	30,483,924 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	8,079	6,822
Notes and accounts receivable - trade	13,814	14,671
Merchandise and finished goods	1,716	1,896
Work in process	4,096	3,306
Raw materials and supplies	1,102	1,777
Other	1,648	2,248
Allowance for doubtful accounts	(0)	(0)
Total current assets	30,457	30,721
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,289	22,165
Accumulated depreciation	(12,151)	(13,008)
Buildings and structures, net	8,137	9,157
Machinery, equipment and vehicles	29,355	32,396
Accumulated depreciation	(20,627)	(22,890)
Machinery, equipment and vehicles, net	8,728	9,505
Tools, furniture and fixtures	9,155	10,550
Accumulated depreciation	(7,645)	(8,573)
Tools, furniture and fixtures, net	1,510	1,977
Land	5,139	4,977
Construction in progress	1,637	977
Total property, plant and equipment	25,152	26,595
Intangible assets		
Goodwill	123	109
Other	374	416
Total intangible assets	497	526
Investments and other assets		
Investment securities	18	18
Deferred tax assets	328	350
Other	178	196
Total investments and other assets	525	566
Total non-current assets	26,176	27,687
Total assets	56,633	58,409

(Millions of yen)

	As of May 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,398	6,963
Electronically recorded obligations - operating	2,589	2,585
Short-term borrowings	5,820	6,341
Current portion of long-term borrowings	1,984	1,870
Current portion of bonds payable	75	–
Lease liabilities	1,062	1,151
Income taxes payable	447	464
Provision for bonuses	176	169
Provision for bonuses for directors (and other officers)	44	34
Other	3,883	3,560
Total current liabilities	23,481	23,141
Non-current liabilities		
Long-term borrowings	7,577	7,343
Lease liabilities	3,556	3,359
Deferred tax liabilities	44	53
Provision for retirement benefits for directors (and other officers)	23	18
Retirement benefit liability	865	832
Other	434	408
Total non-current liabilities	12,501	12,017
Total liabilities	35,983	35,158
Net assets		
Shareholders' equity		
Share capital	4,008	4,008
Capital surplus	4,071	4,071
Retained earnings	13,344	14,729
Treasury shares	(43)	(43)
Total shareholders' equity	21,381	22,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(3)
Foreign currency translation adjustment	(810)	279
Remeasurements of defined benefit plans	(278)	(226)
Total accumulated other comprehensive income	(1,092)	49
Non-controlling interests	360	435
Total net assets	20,649	23,251
Total liabilities and net assets	56,633	58,409

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

(Millions of yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Net sales	55,145	65,661
Cost of sales	46,372	55,956
Gross profit	8,772	9,704
Selling, general and administrative expenses	6,361	7,160
Operating profit	2,411	2,543
Non-operating income		
Interest income	17	11
Dividend income	1	1
Foreign exchange gains	–	93
Rental income	68	65
Subsidies for employment adjustment	127	33
Gain on sale of scraps	38	39
lease cancellation gain	–	62
Other	230	58
Total non-operating income	482	365
Non-operating expenses		
Interest expenses	397	361
Foreign exchange losses	370	–
De	102	52
Other	72	79
Total non-operating expenses	942	493
Ordinary profit	1,951	2,416
Extraordinary income		
Gain on sale of non-current assets	3	188
National subsidies	185	15
Gain on bargain purchase	25	–
Other	1	–
Total extraordinary income	215	204
Extraordinary losses		
Loss on sale of non-current assets	4	8
Loss on retirement of non-current assets	70	59
Loss on tax purpose reduction entry of non-current assets	85	15
Extra retirement payments	20	–
Total extraordinary losses	180	83
Profit before income taxes	1,986	2,537
Income taxes - current	743	643
Income taxes - deferred	(21)	41
Total income taxes	722	684
Profit	1,264	1,853
Profit (loss) attributable to non-controlling interests	(38)	41
Profit attributable to owners of parent	1,302	1,811

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Profit	1,264	1,853
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Foreign currency translation adjustment	878	1,123
Remeasurements of defined benefit plans, net of tax	136	51
Total other comprehensive income	1,016	1,174
Comprehensive income	2,281	3,027
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,298	2,953
Comprehensive income attributable to non-controlling interests	(17)	74

Consolidated statements of changes in equity

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
Changes during period					
Dividends of surplus			(182)		(182)
Profit attributable to owners of parent			1,302		1,302
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)	1,119	(0)	1,103
Balance at end of period	4,008	4,071	13,344	(43)	21,381

	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
Changes during period						
Dividends of surplus						(182)
Profit attributable to owners of parent						1,302
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)	2,098
Balance at end of period	(2)	(810)	(278)	(1,092)	360	20,649

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
Capital increase of consolidated subsidiaries					
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
Capital increase of consolidated subsidiaries						–
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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,986	2,537
Depreciation	3,060	3,162
Amortization of goodwill	28	35
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in retirement benefit liability	95	(9)
Interest and dividend income	(18)	(12)
Interest expenses	397	361
Gain on sales of property, plant and equipment	(3)	(188)
Loss on sales and retirement of property, plant and equipment	4	8
Loss on retirement of property, plant and equipment	70	59
Loss (gain) on valuation of derivatives	102	52
Extra retirement payments	20	–
Gain on bargain purchase	(25)	–
Decrease (increase) in trade receivables	(2,966)	(108)
Decrease (increase) in inventories	(2,095)	194
Decrease (increase) in other assets	475	(368)
Increase (decrease) in trade payables	2,302	(1,189)
Increase (decrease) in other liabilities	1,296	(522)
Other, net	(398)	4
Subtotal	4,333	4,015
Interest and dividends received	18	12
Interest paid	(375)	(384)
Income taxes paid	(425)	(632)
Extra retirement payments	(20)	–
Net cash provided by (used in) operating activities	3,530	3,011
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	1	–
Purchase of property, plant and equipment	(2,671)	(2,995)
Proceeds from sale of property, plant and equipment	9	773
Payments for acquisition of businesses	(600)	–
Other, net	(76)	(129)
Net cash provided by (used in) investing activities	(3,338)	(2,352)

(Millions of yen)

	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,772	290
Proceeds from long-term loans payable	–	1,759
Repayments of long-term borrowings	(2,628)	(2,248)
Redemption of bonds	(150)	(75)
Repayments of lease liabilities	(912)	(1,659)
Dividends paid	(182)	(426)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(102)	(2,360)
Effect of exchange rate change on cash and cash equivalents	490	445
Net increase (decrease) in cash and cash equivalents	580	(1,256)
Cash and cash equivalents at beginning of period	7,499	8,079
Cash and cash equivalents at end of period	8,079	6,822