

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 Year Ended May 31, 2018 (Based on Japanese GAAP)

July 12, 2018

Company name: SANKI SERVICE CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 6044 URL <http://www.sanki-s.co.jp>
 Representative: President & CEO Yoshikane Nakashima
 Inquiries: Director of the Administration Division Tatsuo Kitakoshi TEL 079-289-4411
 Scheduled date of ordinary general meeting of shareholders: August 28, 2018
 Scheduled date to file Securities Report: August 29, 2018
 Scheduled date to commence dividend payments: August 29, 2018
 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, 2018 (from June 1, 2017 to May 31, 2018)

(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, 2018	11,148	27.0	777	44.3	776	45.5	527	46.2
Year ended May 31, 2017	8,777	32.6	538	36.7	533	49.2	360	43.1

	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, 2018	93.76	92.74	25.5	18.9	7.0
Year ended May 31, 2017	64.53	64.21	23.1	16.2	6.1

(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, 2018	4,735	2,445	51.6	422.25
As of May 31, 2017	3,472	1,697	48.9	303.58

(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, 2018	464	(72)	154	1,361
Year ended May 31, 2017	453	(43)	(191)	813

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, 2017	—	0.00	—	20.00	20.00	111	31.0	7.2
Year ended May 31, 2018	—	0.00	—	28.00	28.00	162	29.9	7.7
Year ending May 31, 2019 (Forecast)	—	0.00	—	30.00	30.00		29.9	

3. Forecast of consolidated financial results for the year ending May 31, 2019 (from June 1, 2018 to May 31, 2019)

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
Six months ending November 30, 2018	5,976	13.2	437	14.5	433	13.1	290	10.8	50.15
Full year	12,500	12.1	875	12.6	869	12.0	580	10.0	100.19

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2018

(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, 2018	5,789,285 shares	As of May 31, 2017	5,589,285 shares
--------------------	------------------	--------------------	------------------

Number of treasury shares at the end of the period

As of May 31, 2018	43 shares	As of May 31, 2017	43 shares
--------------------	-----------	--------------------	-----------

Average number of shares during the period

Year ended May 31, 2018	5,622,119 shares	Year ended May 31, 2017	5,589,251 shares
-------------------------	------------------	-------------------------	------------------

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	1,055,998	1,560,905
Notes and accounts receivable - trade	1,658,188	2,215,150
Costs on uncompleted construction contracts	30,434	77,181
Raw materials and supplies	6,189	15,207
Deferred tax assets	43,666	70,267
Other	61,296	83,588
Allowance for doubtful accounts	—	(1,178)
Total current assets	2,855,774	4,021,122
Non-current assets		
Property, plant and equipment		
Buildings and structures	346,218	352,858
Accumulated depreciation	(77,866)	(92,987)
Accumulated impairment loss	(6,311)	(6,311)
Buildings and structures, net	262,041	253,559
Machinery, equipment and vehicles	6,464	4,891
Accumulated depreciation	(3,729)	(2,142)
Machinery, equipment and vehicles, net	2,735	2,748
Tools, furniture and fixtures	40,222	50,283
Accumulated depreciation	(25,010)	(34,181)
Tools, furniture and fixtures, net	15,212	16,102
Land	93,797	93,797
Leased assets	49,697	22,212
Accumulated depreciation	(36,975)	(11,169)
Leased assets, net	12,721	11,043
Total property, plant and equipment	386,508	377,252
Intangible assets		
Leased assets	10,635	7,431
Other	3,758	43,788
Total intangible assets	14,394	51,219
Investments and other assets		
Investment securities	19,943	74,148
Long-term prepaid expenses	89,331	94,499
Net defined benefit asset	28,954	26,804
Deferred tax assets	30,024	34,340
Other	52,916	61,002
Allowance for doubtful accounts	(5,265)	(4,921)
Total investments and other assets	215,905	285,872
Total non-current assets	616,807	714,344
Total assets	3,472,582	4,735,467

(Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Accounts payable for construction contracts	732,963	1,154,921
Current portion of long-term loans payable	59,992	59,992
Lease obligations	9,796	7,557
Income taxes payable	151,659	205,938
Provision for bonuses	98,810	141,164
Other	252,513	298,170
Total current liabilities	1,305,735	1,867,744
Non-current liabilities		
Long-term loans payable	160,020	100,028
Lease obligations	15,756	14,859
Provision for directors' retirement benefits	164,756	164,582
Net defined benefit liability	116,363	128,407
Asset retirement obligations	12,065	13,995
Other	100	341
Total non-current liabilities	469,062	422,214
Total liabilities	1,774,797	2,289,958
Net assets		
Shareholders' equity		
Capital stock	383,927	550,628
Capital surplus	269,427	436,128
Retained earnings	1,038,351	1,453,716
Treasury shares	(26)	(26)
Total shareholders' equity	1,691,680	2,440,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,010	4,690
Foreign currency translation adjustment	(1,886)	(608)
Total accumulated other comprehensive income	5,123	4,081
Share acquisition rights	981	981
Total net assets	1,697,784	2,445,509
Total liabilities and net assets	3,472,582	4,735,467

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

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Net sales	8,777,946	11,148,841
Cost of sales	6,899,684	8,695,346
Gross profit	1,878,261	2,453,495
Selling, general and administrative expenses	1,339,479	1,676,266
Operating profit	538,781	777,228
Non-operating income		
Interest income	450	1,107
Dividend income	361	362
Foreign exchange gains	2,514	1,364
Commission fee	1,241	1,252
House rent income	1,839	2,416
Other	1,302	2,576
Total non-operating income	7,709	9,080
Non-operating expenses		
Interest expenses	1,954	1,747
Commission fee	5,000	—
Taxes and dues	2,650	2,800
Share issuance cost	—	4,825
issuance cost of subscription rights to shares	2,637	—
Other	994	840
Total non-operating expenses	13,236	10,214
Ordinary profit	533,255	776,094
Profit before income taxes	533,255	776,094
Income taxes - current	182,145	278,828
Income taxes - deferred	(9,577)	(29,883)
Total income taxes	172,567	248,944
Profit	360,687	527,149
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	360,687	527,149

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Profit	360,687	527,149
Other comprehensive income		
Valuation difference on available-for-sale securities	2,852	(2,319)
Foreign currency translation adjustment	(5,266)	1,278
Total other comprehensive income	(2,414)	(1,041)
Comprehensive income	358,273	526,107
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	358,273	526,107
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended May 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	383,927	269,427	761,503	–	1,414,858
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(83,839)		(83,839)
Profit attributable to owners of parent			360,687		360,687
Purchase of treasury shares				(26)	(26)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	276,848	(26)	276,821
Balance at end of current period	383,927	269,427	1,038,351	(26)	1,691,680

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	4,157	3,379	7,537	–	1,422,396
Changes of items during period					
Issuance of new shares					–
Dividends of surplus					(83,839)
Profit attributable to owners of parent					360,687
Purchase of treasury shares					(26)
Net changes of items other than shareholders' equity	2,852	(5,266)	(2,414)	981	(1,433)
Total changes of items during period	2,852	(5,266)	(2,414)	981	275,388
Balance at end of current period	7,010	(1,886)	5,123	981	1,697,784

Fiscal year ended May 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	383,927	269,427	1,038,351	(26)	1,691,680
Changes of items during period					
Issuance of new shares	166,701	166,701			333,402
Dividends of surplus			(111,784)		(111,784)
Profit attributable to owners of parent			527,149		527,149
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	166,701	166,701	415,364	—	748,766
Balance at end of current period	550,628	436,128	1,453,716	(26)	2,440,446

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	7,010	(1,886)	5,123	981	1,697,784
Changes of items during period					
Issuance of new shares					333,402
Dividends of surplus					(111,784)
Profit attributable to owners of parent					527,149
Purchase of treasury shares					—
Net changes of items other than shareholders' equity	(2,319)	1,278	(1,041)		(1,041)
Total changes of items during period	(2,319)	1,278	(1,041)	—	747,724
Balance at end of current period	4,690	(608)	4,081	981	2,445,509

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Cash flows from operating activities		
Profit before income taxes	533,255	776,094
Depreciation	41,403	37,713
Increase (decrease) in allowance for doubtful accounts	343	835
Increase (decrease) in provision for bonuses	21,222	42,319
Increase (decrease) in provision for directors' retirement benefits	7,766	(174)
Decrease (increase) in net defined benefit asset	322	2,150
Increase (decrease) in net defined benefit liability	7,753	12,044
Interest and dividend income	(811)	(1,470)
Interest expenses	1,954	1,747
Share issuance cost	–	4,825
Foreign exchange losses (gains)	(2,296)	(1,300)
Decrease (increase) in notes and accounts receivable - trade	(119,707)	(553,766)
Decrease (increase) in inventories	(5,344)	(55,765)
Increase (decrease) in notes and accounts payable - trade	48,977	420,290
Decrease (increase) in other current assets	(23,493)	(19,556)
Increase (decrease) in other current liabilities	83,667	25,008
Other, net	4,309	771
Subtotal	599,322	691,766
Interest and dividend income received	814	1,277
Interest expenses paid	(1,913)	(1,732)
Income taxes paid	(144,808)	(227,210)
Net cash provided by (used in) operating activities	453,416	464,100
Cash flows from investing activities		
Payments into time deposits	(12,032)	(12,021)
Proceeds from withdrawal of time deposits	–	55,235
Purchase of property, plant and equipment	(18,441)	(19,328)
Purchase of intangible assets	(470)	(25,122)
Payments for asset retirement obligations	(1,515)	–
Purchase of investment securities	(429)	(57,546)
Payments for lease and guarantee deposits	(5,965)	(6,637)
Proceeds from collection of lease and guarantee deposits	3,665	585
Purchase of long-term prepaid expenses	(5,441)	(5,578)
Other, net	(2,470)	(2,470)
Net cash provided by (used in) investing activities	(43,099)	(72,884)
Cash flows from financing activities		
Repayments of long-term loans payable	(93,607)	(59,992)
Proceeds from issuance of common shares	–	328,576
Cash dividends paid	(82,942)	(111,231)
Purchase of treasury shares	(26)	–
Proceeds from issuance of share acquisition rights	981	–
Payments for issuance of subscription rights to shares	(2,637)	–
Other, net	(12,935)	(2,411)
Net cash provided by (used in) financing activities	(191,166)	154,940
Effect of exchange rate change on cash and cash equivalents	(4,365)	2,104
Net increase (decrease) in cash and cash equivalents	214,784	548,260
Cash and cash equivalents at beginning of period	598,463	813,248
Cash and cash equivalents at end of period	813,248	1,361,509