

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended August 31, 2019
(Based on Japanese GAAP)**

October 11, 2019

Company name: SANKI SERVICE CORPORATION

Stock exchange listing: Tokyo

Stock code: 6044 URL <http://www.sanki-s.co.jp>

Representative: President & CEO Yoshikane Nakashima
Director

Inquiries: Senior Managing Executive Officer Tatsuo Kitakoshi TEL 079-289-4411
Business Administration Division

Scheduled date to file Quarterly Securities Report: October 11, 2019

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: No

Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended August 31, 2019 (from June 1, 2019 to August 31, 2019)

(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	%
Three months ended August 31, 2019	2,314	(13.1)	(53)	—	(52)	—	(34)	—
Three months ended August 31, 2018	2,662	25.3	72	150.8	75	155.5	51	158.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2019	(5.95)	—
Three months ended August 31, 2018	8.94	8.82

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2019	4,319	2,591	59.4	436.03
As of May 31, 2019	4,522	2,744	60.7	470.38

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended May 31, 2019	Yen —	Yen 0.00	Yen —	Yen 30.00	Yen 30.00
Year ending May 31, 2020	—	—	—	—	—
Year ending May 31, 2020 (Forecast)	—	0.00	—	30.00	30.00

3. Forecast of consolidated financial results for the year ending May 31, 2020 (from June 1, 2019 to May 31, 2020)

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, 2019	4,840	(18.4)	240	(39.0)	238	(39.9)	156	(42.6)	26.86
Full year	12,100	9.5	600	(8.1)	597	(9.3)	392	(9.1)	67.22

4. Notes

(1) Changes in significant subsidiaries during the three months ended August 31, 2019
 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(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 August 31, 2019	5,887,385 shares	As of May 31, 2019	5,834,285 shares
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Number of treasury shares at the end of the period

As of August 31, 2019	143 shares	As of May 31, 2019	143 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended August 31, 2019	5,848,387 shares	Three months ended August 31, 2018	5,789,227 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

	(Thousands of yen)	
	As of May 31, 2019	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	1,288,602	995,320
Notes and accounts receivable - trade	1,870,681	1,820,753
Costs on construction contracts in progress	35,569	115,668
Raw materials and supplies	43,095	45,129
Other	140,441	147,756
Allowance for doubtful accounts	(1,041)	(995)
Total current assets	<u>3,377,349</u>	<u>3,123,632</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	241,803	238,474
Land	93,797	93,797
Other, net	39,972	36,038
Total property, plant and equipment	<u>375,574</u>	<u>368,310</u>
Intangible assets	320,277	360,384
Investments and other assets		
Investment securities	167,558	167,681
Long-term prepaid expenses	100,054	101,359
Retirement benefit asset	23,107	23,458
Deferred tax assets	94,045	108,124
Other	68,972	71,207
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	<u>448,816</u>	<u>466,909</u>
Total non-current assets	<u>1,144,667</u>	<u>1,195,605</u>
Total assets	4,522,017	4,319,238
Liabilities		
Current liabilities		
Accounts payable for construction contracts	827,712	745,017
Current portion of long-term borrowings	59,992	59,992
Income taxes payable	94,000	8,728
Provision for bonuses	100,000	78,131
Other	311,754	465,011
Total current liabilities	<u>1,393,458</u>	<u>1,356,881</u>
Non-current liabilities		
Long-term borrowings	40,036	25,038
Retirement benefit liability	137,006	139,966
Asset retirement obligations	15,633	15,682
Long-term accounts payable - other	156,545	156,545
Other	34,512	33,356
Total non-current liabilities	<u>383,733</u>	<u>370,588</u>
Total liabilities	1,777,192	1,727,469

	(Thousands of yen)	
	As of May 31, 2019	As of August 31, 2019
Net assets		
Shareholders' equity		
Share capital	568,940	586,887
Capital surplus	454,440	472,387
Retained earnings	1,722,888	1,513,054
Treasury shares	(230)	(230)
Total shareholders' equity	<u>2,746,038</u>	<u>2,572,099</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(446)	(455)
Foreign currency translation adjustment	(1,352)	(4,602)
Total accumulated other comprehensive income	<u>(1,799)</u>	<u>(5,058)</u>
Share acquisition rights	585	–
Non-controlling interests	–	24,728
Total net assets	<u>2,744,824</u>	<u>2,591,769</u>
Total liabilities and net assets	<u>4,522,017</u>	<u>4,319,238</u>

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Three months ended August 31, 2018	Three months ended August 31, 2019
Net sales	2,662,522	2,314,410
Cost of sales	2,151,486	1,812,476
Gross profit	511,035	501,933
Selling, general and administrative expenses	439,021	555,618
Operating profit (loss)	72,014	(53,684)
Non-operating income		
Interest income	338	312
Dividend income	259	604
Commission income	316	297
Rental income from buildings	579	679
Compensation income	3,358	–
Other	346	700
Total non-operating income	5,198	2,593
Non-operating expenses		
Interest expenses	483	527
Foreign exchange losses	187	504
Taxes and dues	825	750
Other	94	89
Total non-operating expenses	1,590	1,871
Ordinary profit (loss)	75,621	(52,963)
Profit (loss) before income taxes	75,621	(52,963)
Income taxes	23,894	(15,414)
Profit (loss)	51,727	(37,548)
Loss attributable to non-controlling interests	–	(2,738)
Profit (loss) attributable to owners of parent	51,727	(34,809)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended August 31, 2018	Three months ended August 31, 2019
Profit (loss)	51,727	(37,548)
Other comprehensive income		
Valuation difference on available-for-sale securities	377	(8)
Foreign currency translation adjustment	(378)	(5,323)
Total other comprehensive income	(0)	(5,332)
Comprehensive income	51,726	(42,881)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	51,726	(38,069)
Comprehensive income attributable to non-controlling interests	–	(4,811)