

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2020 (Based on Japanese GAAP)

July 13, 2020

Company name: SANKI SERVICE CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 6044 URL <http://www.sanki-s.co.jp>
 Representative: President&chief Executive officer Tatsuo Kitakoshi
 Executive operating officer
 Inquiries: Business Administration Division KEIJI HIBI TEL 079-289-4411
 General Manager
 Scheduled date of ordinary general meeting of shareholders: August 28, 2020
 Scheduled date to file Securities Report: August 31, 2020
 Scheduled date to commence dividend payments: August 31, 2020
 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, 2020 (from June 1, 2019 to May 31, 2020)

(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, 2020	11,679	5.7	406	(37.7)	408	(38.0)	272	(36.8)
Year ended May 31, 2019	11,050	(0.9)	652	(16.0)	659	(15.1)	431	(18.2)

	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, 2020	46.33	46.29	9.7	8.7	3.5
Year ended May 31, 2019	74.25	73.51	16.6	14.2	5.9

(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, 2020	4,847	2,877	59.2	486.39
As of May 31, 2019	4,522	2,744	60.7	470.38

(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, 2020	162	(148)	(186)	903
Year ended May 31, 2019	314	(404)	(193)	1,077

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, 2019	—	0.00	—	30.00	30.00	175	40.4	6.7
Year ended May 31, 2020	—	0.00	—	25.00	25.00	147	54.0	5.2
Year ending May 31, 2021 (Forecast)	—	0.00	—	—	—	—	—	—

3. Notes

- (1) Changes in significant subsidiaries during the year ended May 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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, 2020	5,896,085 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 May 31, 2020	189 shares	As of May 31, 2019	143 shares
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Average number of shares during the period

Year ended May 31, 2020	5,883,010 shares	Year ended May 31, 2019	5,808,244 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	1,288,602	1,136,551
Notes and accounts receivable - trade	1,870,681	2,218,783
Costs on construction contracts in progress	35,569	44,242
Raw materials and supplies	43,095	49,904
Other	140,441	217,945
Allowance for doubtful accounts	(1,041)	(5,097)
Total current assets	3,377,349	3,662,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	355,121	356,263
Accumulated depreciation	(107,005)	(120,289)
Accumulated impairment loss	(6,311)	(6,311)
Buildings and structures, net	241,803	229,661
Machinery, equipment and vehicles	3,778	3,502
Accumulated depreciation	(2,908)	(3,331)
Machinery, equipment and vehicles, net	869	170
Tools, furniture and fixtures	52,242	44,975
Accumulated depreciation	(41,176)	(38,605)
Tools, furniture and fixtures, net	11,065	6,370
Land	93,797	93,797
Leased assets	41,089	47,720
Accumulated depreciation	(13,052)	(22,559)
Leased assets, net	28,036	25,160
Total property, plant and equipment	375,574	355,160
Intangible assets		
Software	85,691	216,154
Leased assets	13,085	12,362
Other	221,499	134,117
Total intangible assets	320,277	362,634
Investments and other assets		
Investment securities	167,558	146,807
Long-term prepaid expenses	100,054	107,652
Retirement benefit asset	23,107	22,785
Deferred tax assets	94,045	118,848
Other	68,972	76,016
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	448,816	467,188
Total non-current assets	1,144,667	1,184,983
Total assets	4,522,017	4,847,313

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Liabilities		
Current liabilities		
Accounts payable for construction contracts	827,712	858,883
Current portion of long-term borrowings	59,992	40,036
Lease obligations	14,031	15,906
Income taxes payable	94,000	79,845
Provision for bonuses	100,000	110,000
Other	297,722	518,606
Total current liabilities	1,393,458	1,623,277
Non-current liabilities		
Long-term borrowings	40,036	—
Lease obligations	34,227	27,292
Retirement benefit liability	137,006	145,851
Asset retirement obligations	15,633	16,967
Long-term accounts payable - other	156,545	156,545
Other	284	223
Total non-current liabilities	383,733	346,880
Total liabilities	1,777,192	1,970,157
Net assets		
Shareholders' equity		
Share capital	568,940	590,985
Capital surplus	454,440	476,485
Retained earnings	1,722,888	1,820,399
Treasury shares	(230)	(274)
Total shareholders' equity	2,746,038	2,887,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(446)	(15,167)
Foreign currency translation adjustment	(1,352)	(4,743)
Total accumulated other comprehensive income	(1,799)	(19,910)
Share acquisition rights	585	—
Non-controlling interests	—	9,471
Total net assets	2,744,824	2,877,156
Total liabilities and net assets	4,522,017	4,847,313

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

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Net sales	11,050,444	11,679,180
Cost of sales	8,639,438	9,016,115
Gross profit	2,411,005	2,663,065
Selling, general and administrative expenses	1,758,038	2,256,405
Operating profit	652,967	406,660
Non-operating income		
Interest income	1,301	1,362
Dividend income	476	1,209
Rental income from buildings	2,216	2,416
Commission income	1,235	1,233
Compensation income	3,358	—
Dividend income of insurance	2,350	—
Other	1,239	1,194
Total non-operating income	12,177	7,417
Non-operating expenses		
Interest expenses	2,229	1,967
Taxes and dues	2,425	1,625
Foreign exchange losses	758	423
Other	681	1,534
Total non-operating expenses	6,094	5,550
Ordinary profit	659,050	408,526
Profit before income taxes	659,050	408,526
Income taxes - current	214,982	170,846
Income taxes - deferred	12,797	(17,089)
Total income taxes	227,779	153,756
Profit	431,271	254,770
Loss attributable to non-controlling interests	—	(17,764)
Profit attributable to owners of parent	431,271	272,534

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Profit	431,271	254,770
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,136)	(14,720)
Foreign currency translation adjustment	(743)	(5,694)
Total other comprehensive income	(5,880)	(20,415)
Comprehensive income	425,390	234,354
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	425,390	254,422
Comprehensive income attributable to non-controlling interests	—	(20,068)

Consolidated statements of changes in equity

Fiscal year ended May 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	550,628	436,128	1,453,716	(26)	2,440,446
Changes during period					
Issuance of new shares	18,311	18,311			36,622
Dividends of surplus			(162,098)		(162,098)
Profit attributable to owners of parent			431,271		431,271
Purchase of treasury shares				(204)	(204)
Net changes in items other than shareholders' equity					
Total changes during period	18,311	18,311	269,172	(204)	305,591
Balance at end of period	568,940	454,440	1,722,888	(230)	2,746,038

	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 period	4,690	(608)	4,081	981	2,445,509
Changes during period					
Issuance of new shares					36,622
Dividends of surplus					(162,098)
Profit attributable to owners of parent					431,271
Purchase of treasury shares					(204)
Net changes in items other than shareholders' equity	(5,136)	(743)	(5,880)	(395)	(6,275)
Total changes during period	(5,136)	(743)	(5,880)	(395)	299,315
Balance at end of period	(446)	(1,352)	(1,799)	585	2,744,824

Fiscal year ended May 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	568,940	454,440	1,722,888	(230)	2,746,038
Changes during period					
Issuance of new shares	22,045	22,045			44,091
Dividends of surplus			(175,024)		(175,024)
Profit attributable to owners of parent			272,534		272,534
Purchase of treasury shares				(44)	(44)
Net changes in items other than shareholders' equity					
Total changes during period	22,045	22,045	97,510	(44)	141,556
Balance at end of period	590,985	476,485	1,820,399	(274)	2,887,595

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(446)	(1,352)	(1,799)	585	–	2,744,824
Changes during period						
Issuance of new shares						44,091
Dividends of surplus						(175,024)
Profit attributable to owners of parent						272,534
Purchase of treasury shares						(44)
Net changes in items other than shareholders' equity	(14,720)	(3,390)	(18,111)	(585)	9,471	(9,225)
Total changes during period	(14,720)	(3,390)	(18,111)	(585)	9,471	132,331
Balance at end of period	(15,167)	(4,743)	(19,910)	–	9,471	2,877,156

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Cash flows from operating activities		
Profit before income taxes	659,050	408,526
Depreciation	38,707	77,665
Increase (decrease) in allowance for doubtful accounts	(110)	4,125
Increase (decrease) in provision for bonuses	(41,140)	10,000
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(164,582)	—
Decrease (increase) in retirement benefit asset	3,697	321
Increase (decrease) in retirement benefit liability	8,598	8,845
Interest and dividend income	(1,777)	(2,572)
Interest expenses	2,229	1,967
Share-based remuneration expenses	6,477	8,305
Compensation income	(3,358)	—
Dividend income of insurance	(2,350)	—
Foreign exchange losses (gains)	863	423
Decrease (increase) in trade receivables	342,225	(355,360)
Decrease (increase) in inventories	13,699	(15,482)
Increase (decrease) in trade payables	(325,892)	37,095
Decrease (increase) in other current assets	(53,072)	(78,671)
Increase (decrease) in other current liabilities	11,602	243,968
Other, net	154,447	(2,997)
Subtotal	649,315	346,158
Interest and dividends received	4,120	2,571
Interest paid	(2,201)	(1,941)
Receipts of receiving compensation	3,358	—
Income taxes paid	(339,798)	(184,632)
Net cash provided by (used in) operating activities	314,795	162,156
Cash flows from investing activities		
Payments into time deposits	(12,021)	(21,744)
Purchase of property, plant and equipment	(6,712)	(2,041)
Proceeds from sales of property, plant and equipment	984	—
Purchase of intangible assets	(274,428)	(108,682)
Purchase of investment securities	(100,809)	(454)
Payments of leasehold and guarantee deposits	(4,611)	(7,120)
Proceeds from refund of leasehold and guarantee deposits	889	2,084
Purchase of long-term prepaid expenses	(5,788)	(7,808)
Other, net	(2,374)	(2,509)
Net cash provided by (used in) investing activities	(404,871)	(148,277)
Cash flows from financing activities		
Repayments of long-term borrowings	(59,992)	(59,992)
Dividends paid	(162,812)	(174,912)
Purchase of treasury shares	(204)	(44)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	27,613	35,309
Proceeds from share issuance to non-controlling shareholders	—	29,540
Other, net	1,833	(15,905)
Net cash provided by (used in) financing activities	(193,562)	(186,004)
Effect of exchange rate change on cash and cash equivalents	(684)	(1,670)
Net increase (decrease) in cash and cash equivalents	(284,323)	(173,795)
Cash and cash equivalents at beginning of period	1,361,509	1,077,185
Cash and cash equivalents at end of period	1,077,185	903,390