

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2020 (Based on Japanese GAAP)

January 14, 2021

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
 Inquiries: Corporate Planning Department Minister Hideki Fujimoto TEL 079-289-4411
 Scheduled date to file Quarterly Securities Report: January 14, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2020 (from June 1, 2020 to November 30, 2020)

(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, 2020 | 5,799 | 3.8 | 133 | (27.4) | 135 | (26.3) | 82 | (37.1) |
| Six months ended November 30, 2019 | 5,584 | (5.8) | 183 | (53.3) | 184 | (53.6) | 130 | (52.2) |

| | Earnings per share | | Diluted earnings per share | |
|------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended November 30, 2020 | 13.93 | | – | |
| Six months ended November 30, 2019 | 22.25 | | 22.21 | |

(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, 2020 | 5,180 | 2,864 | 55.2 | 481.39 |
| As of May 31, 2020 | 4,847 | 2,877 | 59.2 | 486.39 |

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, 2020 | – | 0.00 | – | 25.00 | 25.00 |
| Year ending May 31, 2021 | – | 0.00 | | | |
| Year ending May 31, 2021 (Forecast) | | | – | 0.00 | 0.00 |

3. Forecast of consolidated financial results for the year ending May 31, 2021 (from June 1, 2020 to May 31, 2021)

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 | 11,800 | 1.0 | 106 | (73.9) | 105 | (74.1) | 64 | (76.4) | 10.89 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2020
(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: 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 November 30, 2020 | 5,943,485 shares | As of May 31, 2020 | 5,896,085 shares |
|-------------------------|------------------|--------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|------------|--------------------|------------|
| As of November 30, 2020 | 189 shares | As of May 31, 2020 | 189 shares |
|-------------------------|------------|--------------------|------------|

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

| | | | |
|------------------------------------|------------------|------------------------------------|------------------|
| Six months ended November 30, 2020 | 5,897,191 shares | Six months ended November 30, 2019 | 5,870,122 shares |
|------------------------------------|------------------|------------------------------------|------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of May 31, 2020 | As of November 30, 2020 |
|---|--------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,136,551 | 1,570,731 |
| Notes and accounts receivable - trade | 2,218,783 | 2,065,328 |
| Costs on construction contracts in progress | 44,242 | 96,628 |
| Raw materials and supplies | 49,904 | 45,412 |
| Securities | – | 52,830 |
| Other | 217,945 | 160,756 |
| Allowance for doubtful accounts | (5,097) | (5,199) |
| Total current assets | 3,662,330 | 3,986,487 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 229,661 | 224,682 |
| Land | 93,797 | 93,797 |
| Other, net | 31,701 | 26,087 |
| Total property, plant and equipment | 355,160 | 344,568 |
| Intangible assets | 362,634 | 399,330 |
| Investments and other assets | | |
| Investment securities | 146,807 | 104,653 |
| Long-term prepaid expenses | 107,652 | 141,950 |
| Retirement benefit asset | 22,785 | 25,263 |
| Deferred tax assets | 118,848 | 113,930 |
| Other | 76,016 | 69,252 |
| Allowance for doubtful accounts | (4,921) | (4,921) |
| Total investments and other assets | 467,188 | 450,128 |
| Total non-current assets | 1,184,983 | 1,194,027 |
| Total assets | 4,847,313 | 5,180,515 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable for construction contracts | 858,883 | 1,000,761 |
| Current portion of long-term borrowings | 40,036 | 100,845 |
| Income taxes payable | 79,845 | 58,496 |
| Provision for bonuses | 110,000 | 103,588 |
| Other | 534,512 | 370,475 |
| Total current liabilities | 1,623,277 | 1,634,167 |
| Non-current liabilities | | |
| Long-term borrowings | – | 340,843 |
| Retirement benefit liability | 145,851 | 152,354 |
| Asset retirement obligations | 16,967 | 18,106 |
| Long-term accounts payable - other | 156,545 | 150,885 |
| Other | 27,515 | 20,062 |
| Total non-current liabilities | 346,880 | 682,252 |
| Total liabilities | 1,970,157 | 2,316,420 |

(Thousands of yen)

| | As of May 31, 2020 | As of November 30, 2020 |
|---|--------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 590,985 | 616,652 |
| Capital surplus | 476,485 | 502,152 |
| Retained earnings | 1,820,399 | 1,755,139 |
| Treasury shares | (274) | (274) |
| Total shareholders' equity | 2,887,595 | 2,873,670 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (15,167) | (7,918) |
| Foreign currency translation adjustment | (4,743) | (4,687) |
| Total accumulated other comprehensive income | (19,910) | (12,605) |
| Non-controlling interests | 9,471 | 3,030 |
| Total net assets | 2,877,156 | 2,864,095 |
| Total liabilities and net assets | 4,847,313 | 5,180,515 |

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

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended November 30, 2019 | Six months ended November 30, 2020 |
|--|---------------------------------------|---------------------------------------|
| Net sales | 5,584,880 | 5,799,561 |
| Cost of sales | 4,298,823 | 4,469,821 |
| Gross profit | 1,286,056 | 1,329,739 |
| Selling, general and administrative expenses | 1,102,606 | 1,196,479 |
| Operating profit | 183,450 | 133,259 |
| Non-operating income | | |
| Interest income | 698 | 962 |
| Dividend income | 604 | 532 |
| Rental income from buildings | 1,065 | 1,258 |
| Foreign exchange gains | – | 421 |
| Commission income | 687 | 561 |
| Other | 1,192 | 749 |
| Total non-operating income | 4,247 | 4,484 |
| Non-operating expenses | | |
| Interest expenses | 1,020 | 1,010 |
| Taxes and dues | 1,275 | 600 |
| Foreign exchange losses | 596 | – |
| Other | 348 | 245 |
| Total non-operating expenses | 3,240 | 1,855 |
| Ordinary profit | 184,456 | 135,888 |
| Extraordinary losses | | |
| Loss on liquidation of subsidiaries | – | 15,300 |
| Total extraordinary losses | – | 15,300 |
| Profit before income taxes | 184,456 | 120,588 |
| Income taxes | 61,518 | 44,682 |
| Profit | 122,938 | 75,905 |
| Loss attributable to non-controlling interests | (7,690) | (6,232) |
| Profit attributable to owners of parent | 130,628 | 82,138 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Six months ended November 30, 2019 | Six months ended November 30, 2020 |
|--|---------------------------------------|---------------------------------------|
| Profit | 122,938 | 75,905 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 136 | 7,249 |
| Foreign currency translation adjustment | (6,077) | (153) |
| Total other comprehensive income | (5,940) | 7,096 |
| Comprehensive income | 116,997 | 83,002 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 126,636 | 89,379 |
| Comprehensive income attributable to non-controlling interests | (9,638) | (6,377) |

Consolidated statements of cash flows

(Thousands of yen)

| | Six months ended November 30, 2019 | Six months ended November 30, 2020 |
|--|---------------------------------------|---------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 184,456 | 120,588 |
| Depreciation | 33,993 | 60,717 |
| Increase (decrease) in allowance for doubtful accounts | 45 | (14) |
| Decrease (increase) in retirement benefit asset | (1,959) | (2,477) |
| Increase (decrease) in retirement benefit liability | 3,974 | 6,503 |
| Increase (decrease) in provision for bonuses | 4,695 | (6,411) |
| Interest and dividend income | (1,302) | (1,494) |
| Interest expenses | 1,020 | 1,010 |
| Share-based remuneration expenses | 4,207 | 2,286 |
| Decrease (increase) in trade receivables | (425,377) | 154,953 |
| Decrease (increase) in inventories | (62,183) | (47,907) |
| Increase (decrease) in trade payables | 239,954 | 140,639 |
| Decrease (increase) in other current assets | 18,474 | 73,353 |
| Increase (decrease) in other current liabilities | 100,209 | (194,188) |
| Other, net | (2,316) | (1,015) |
| Subtotal | 97,894 | 306,543 |
| Interest and dividends received | 1,301 | 1,499 |
| Interest paid | (1,009) | (1,150) |
| Income taxes paid | (59,630) | (63,102) |
| Net cash provided by (used in) operating activities | 38,555 | 243,789 |
| Cash flows from investing activities | | |
| Payments into time deposits | (29,806) | (6,009) |
| Proceeds from withdrawal of time deposits | – | 9,511 |
| Purchase of property, plant and equipment | (669) | (1,474) |
| Purchase of intangible assets | (75,347) | (57,674) |
| Purchase of investment securities | (226) | (233) |
| Payments of leasehold and guarantee deposits | (1,357) | (1,658) |
| Proceeds from refund of leasehold and guarantee deposits | 403 | 1,238 |
| Purchase of long-term prepaid expenses | (5,226) | (2,720) |
| Other, net | (2,470) | 4,735 |
| Net cash provided by (used in) investing activities | (114,700) | (54,284) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | – | 450,000 |
| Repayments of long-term borrowings | (29,996) | (48,348) |
| Purchase of treasury shares | (44) | – |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | 35,309 | – |
| Dividends paid | (174,833) | (145,082) |
| Proceeds from share issuance to non-controlling shareholders | 29,540 | – |
| Other, net | (7,876) | (8,397) |
| Net cash provided by (used in) financing activities | (147,900) | 248,172 |
| Effect of exchange rate change on cash and cash equivalents | (1,664) | 219 |
| Net increase (decrease) in cash and cash equivalents | (225,710) | 437,896 |
| Cash and cash equivalents at beginning of period | 1,077,185 | 903,390 |
| Cash and cash equivalents at end of period | 851,475 | 1,341,287 |