

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2019 (Based on Japanese GAAP)

July 12, 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 of ordinary general meeting of shareholders: August 28, 2019
 Scheduled date to file Securities Report: August 29, 2019
 Scheduled date to commence dividend payments: August 29, 2019
 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, 2019 (from June 1, 2018 to May 31, 2019)

(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, 2019	11,050	(0.9)	652	(16.0)	659	(15.1)	431	(18.2)
Year ended May 31, 2018	11,148	27.0	777	44.3	776	45.5	527	46.2

	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, 2019	74.25	73.51	16.6	14.2	5.9
Year ended May 31, 2018	93.76	92.74	25.5	18.9	7.0

(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, 2019	4,522	2,744	60.7	470.38
As of May 31, 2018	4,735	2,445	51.6	422.25

(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, 2019	314	(404)	(193)	1,077
Year ended May 31, 2018	464	(72)	154	1,361

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, 2018	–	0.00	–	28.00	28.00	162	29.9	7.7
Year ended May 31, 2019	–	0.00	–	30.00	30.00	175	40.4	6.7
Year ending May 31, 2020 (Forecast)	–	0.00	–	30.00	30.00		44.6	

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 year ended May 31, 2019

(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, 2019	5,834,285 shares	As of May 31, 2018	5,789,285 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	143 shares	As of May 31, 2018	43 shares
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Average number of shares during the period

Year ended May 31, 2019	5,808,244 shares	Year ended May 31, 2018	5,622,119 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	1,560,905	1,288,602
Notes and accounts receivable - trade	2,215,150	1,870,681
Costs on uncompleted construction contracts	77,181	35,569
Raw materials and supplies	15,207	43,095
Other	83,588	140,441
Allowance for doubtful accounts	(1,178)	(1,041)
Total current assets	3,950,855	3,377,349
Non-current assets		
Property, plant and equipment		
Buildings and structures	352,858	355,121
Accumulated depreciation	(92,987)	(107,005)
Accumulated impairment loss	(6,311)	(6,311)
Buildings and structures, net	253,559	241,803
Machinery, equipment and vehicles	4,891	3,778
Accumulated depreciation	(2,142)	(2,908)
Machinery, equipment and vehicles, net	2,748	869
Tools, furniture and fixtures	50,283	52,242
Accumulated depreciation	(34,181)	(41,176)
Tools, furniture and fixtures, net	16,102	11,065
Land	93,797	93,797
Leased assets	22,212	41,089
Accumulated depreciation	(11,169)	(13,052)
Leased assets, net	11,043	28,036
Total property, plant and equipment	377,252	375,574
Intangible assets		
Leased assets	7,431	13,085
Other	43,788	307,191
Total intangible assets	51,219	320,277
Investments and other assets		
Investment securities	74,148	167,558
Long-term prepaid expenses	94,499	100,054
Retirement benefit asset	26,804	23,107
Deferred tax assets	104,607	94,045
Other	61,002	68,972
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	356,139	448,816
Total non-current assets	784,612	1,144,667
Total assets	4,735,467	4,522,017

(Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Accounts payable for construction contracts	1,154,921	827,712
Current portion of long-term loans payable	59,992	59,992
Lease obligations	7,557	14,031
Income taxes payable	205,938	94,000
Provision for bonuses	141,164	100,000
Other	298,170	297,722
Total current liabilities	1,867,744	1,393,458
Non-current liabilities		
Long-term loans payable	100,028	40,036
Lease obligations	14,859	34,227
Provision for retirement benefits for directors (and other officers)	164,582	–
Retirement benefit liability	128,407	137,006
Asset retirement obligations	13,995	15,633
Long-term accounts payable - other	–	156,545
Other	341	284
Total non-current liabilities	422,214	383,733
Total liabilities	2,289,958	1,777,192
Net assets		
Shareholders' equity		
Capital stock	550,628	568,940
Capital surplus	436,128	454,440
Retained earnings	1,453,716	1,722,888
Treasury shares	(26)	(230)
Total shareholders' equity	2,440,446	2,746,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,690	(446)
Foreign currency translation adjustment	(608)	(1,352)
Total accumulated other comprehensive income	4,081	(1,799)
Share acquisition rights	981	585
Total net assets	2,445,509	2,744,824
Total liabilities and net assets	4,735,467	4,522,017

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

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Net sales	11,148,841	11,050,444
Cost of sales	8,695,346	8,639,438
Gross profit	2,453,495	2,411,005
Selling, general and administrative expenses	1,676,266	1,758,038
Operating profit	777,228	652,967
Non-operating income		
Interest income	1,107	1,301
Dividend income	362	476
House rent income	2,416	2,216
Commission income	1,252	1,235
Foreign exchange gains	1,364	–
Compensation income	–	3,358
Dividend income of insurance	–	2,350
Other	2,576	1,239
Total non-operating income	9,080	12,177
Non-operating expenses		
Interest expenses	1,747	2,229
Taxes and dues	2,800	2,425
Foreign exchange losses	–	758
Share issuance cost	4,825	–
Other	840	681
Total non-operating expenses	10,214	6,094
Ordinary profit	776,094	659,050
Profit before income taxes	776,094	659,050
Income taxes - current	278,828	214,982
Income taxes - deferred	(29,883)	12,797
Total income taxes	248,944	227,779
Profit	527,149	431,271
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	527,149	431,271

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Profit	527,149	431,271
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,319)	(5,136)
Foreign currency translation adjustment	1,278	(743)
Total other comprehensive income	(1,041)	(5,880)
Comprehensive income	526,107	425,390
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	526,107	425,390
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

Fiscal year ended May 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	550,628	436,128	1,453,716	(26)	2,440,446
Changes of items 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 of items other than shareholders' equity					
Total changes of items during period	18,311	18,311	269,172	(204)	305,591
Balance at end of current 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 current period	4,690	(608)	4,081	981	2,445,509
Changes of items 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 of items other than shareholders' equity	(5,136)	(743)	(5,880)	(395)	(6,275)
Total changes of items during period	(5,136)	(743)	(5,880)	(395)	299,315
Balance at end of current period	(446)	(1,352)	(1,799)	585	2,744,824

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Cash flows from operating activities		
Profit before income taxes	776,094	659,050
Depreciation	37,713	38,707
Increase (decrease) in allowance for doubtful accounts	835	(110)
Increase (decrease) in provision for bonuses	42,319	(41,140)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(174)	(164,582)
Decrease (increase) in retirement benefit asset	2,150	3,697
Increase (decrease) in retirement benefit liability	12,044	8,598
Interest and dividend income	(1,470)	(1,786)
Interest expenses	1,747	2,229
Share issuance cost	4,825	–
Share-based compensation expenses	–	6,477
Compensation income	–	(3,358)
Dividend income of insurance	–	(2,350)
Foreign exchange losses (gains)	(1,300)	863
Decrease (increase) in notes and accounts receivable - trade	(553,766)	342,225
Decrease (increase) in inventories	(55,765)	13,699
Increase (decrease) in notes and accounts payable - trade	420,290	(325,892)
Decrease (increase) in other current assets	(19,556)	(53,072)
Increase (decrease) in other current liabilities	25,008	11,602
Other, net	771	154,447
Subtotal	691,766	649,306
Interest and dividend income received	1,277	4,129
Interest expenses paid	(1,732)	(2,201)
Proceeds from compensation	–	3,358
Income taxes paid	(227,210)	(339,798)
Net cash provided by (used in) operating activities	464,100	314,795
Cash flows from investing activities		
Payments into time deposits	(12,021)	(12,021)
Proceeds from withdrawal of time deposits	55,235	–
Purchase of property, plant and equipment	(19,328)	(6,712)
Proceeds from sales of property, plant and equipment	–	984
Purchase of intangible assets	(25,122)	(274,428)
Purchase of investment securities	(57,546)	(100,809)
Payments for leasehold and guarantee deposits	(6,637)	(4,611)
Proceeds from collection of leasehold and guarantee deposits	585	889
Purchase of long-term prepaid expenses	(5,578)	(5,788)
Other, net	(2,470)	(2,374)
Net cash provided by (used in) investing activities	(72,884)	(404,871)

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Cash flows from financing activities		
Repayments of long-term loans payable	(59,992)	(59,992)
Proceeds from issuance of common shares	328,576	–
Cash dividends paid	(111,231)	(162,812)
Purchase of treasury shares	–	(204)
Proceeds from issuance of share acquisition rights	–	27,613
Other, net	(2,411)	1,833
Net cash provided by (used in) financing activities	154,940	(193,562)
Effect of exchange rate change on cash and cash equivalents	2,104	(684)
Net increase (decrease) in cash and cash equivalents	548,260	(284,323)
Cash and cash equivalents at beginning of period	813,248	1,361,509
Cash and cash equivalents at end of period	1,361,509	1,077,185