

Translation

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## Summary of Consolidated Financial Results for the Year Ended May 31, 2021 (Based on Japanese GAAP)

July 15, 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 of ordinary general meeting of shareholders: August 27, 2021  
 Scheduled date to file Securities Report: August 30, 2021  
 Scheduled date to commence dividend payments: August 30, 2021  
 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, 2021 (from June 1, 2020 to May 31, 2021)

#### (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, 2021	11,525	(1.3)	288	(29.0)	293	(28.0)	175	(35.5)
Year ended May 31, 2020	11,679	5.7	406	(37.7)	408	(38.0)	272	(36.8)

	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, 2021	29.70	–	6.0	5.9	2.5
Year ended May 31, 2020	46.33	46.29	9.7	8.7	3.5

#### (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, 2021	5,093	2,964	58.2	498.87
As of May 31, 2020	4,847	2,877	59.2	486.39

#### (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, 2021	666	(110)	183	1,645
Year ended May 31, 2020	162	(148)	(186)	903

### 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, 2020	–	0.00	–	25.00	25.00	147	54.0	5.2
Year ended May 31, 2021	–	0.00	–	15.00	15.00	89	50.5	3.0
Year ending May 31, 2022 (Forecast)	–	0.00	–	25.00	25.00		51.8	

3. Forecast of consolidated financial results for the year ending May 31, 2022 (from June 1, 2021 to May 31, 2022)

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, 2021	5,870	1.2	119	(10.7)	120	(11.7)	75	(8.1)	12.71
Full year	12,500	8.5	450	55.8	452	53.8	286	63.0	48.22

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2021

(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, 2021	5,943,485 shares	As of May 31, 2020	5,896,085 shares
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Number of treasury shares at the end of the period

As of May 31, 2021	1,789 shares	As of May 31, 2020	189 shares
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Average number of shares during the period

Year ended May 31, 2021	5,919,807 shares	Year ended May 31, 2020	5,883,010 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	1,136,551	1,880,757
Notes and accounts receivable - trade	2,218,783	1,750,035
Securities	–	54,986
Costs on construction contracts in progress	44,242	33,579
Raw materials and supplies	49,904	37,503
Other	217,945	202,219
Allowance for doubtful accounts	(5,097)	(898)
Total current assets	3,662,330	3,958,183
Non-current assets		
Property, plant and equipment		
Buildings and structures	356,263	357,819
Accumulated depreciation	(120,289)	(132,736)
Accumulated impairment	(6,311)	(6,311)
Buildings and structures, net	229,661	218,771
Machinery, equipment and vehicles	3,502	3,864
Accumulated depreciation	(3,331)	(3,742)
Machinery, equipment and vehicles, net	170	121
Tools, furniture and fixtures	44,975	44,322
Accumulated depreciation	(38,605)	(38,327)
Tools, furniture and fixtures, net	6,370	5,995
Land	93,797	93,797
Leased assets	47,720	48,280
Accumulated depreciation	(22,559)	(32,740)
Leased assets, net	25,160	15,539
Total property, plant and equipment	355,160	334,226
Intangible assets		
Software	216,154	341,850
Leased assets	12,362	9,526
Other	134,117	5,586
Total intangible assets	362,634	356,964
Investments and other assets		
Investment securities	146,807	111,640
Long-term prepaid expenses	107,652	135,282
Retirement benefit asset	22,785	1,199
Deferred tax assets	118,848	132,867
Other	76,016	68,148
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	467,188	444,217
Total non-current assets	1,184,983	1,135,408
Total assets	4,847,313	5,093,592

(Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	858,883	767,448
Current portion of long-term borrowings	40,036	89,992
Lease obligations	15,906	14,801
Income taxes payable	79,845	60,970
Provision for bonuses	110,000	110,000
Other	518,606	446,325
<b>Total current liabilities</b>	<b>1,623,277</b>	<b>1,489,538</b>
<b>Non-current liabilities</b>		
Long-term borrowings	–	295,847
Lease obligations	27,292	13,383
Retirement benefit liability	145,851	161,193
Asset retirement obligations	16,967	18,453
Long-term accounts payable - other	156,545	150,885
Other	223	185
<b>Total non-current liabilities</b>	<b>346,880</b>	<b>639,948</b>
<b>Total liabilities</b>	<b>1,970,157</b>	<b>2,129,486</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	590,985	616,652
Capital surplus	476,485	502,152
Retained earnings	1,820,399	1,848,796
Treasury shares	(274)	(274)
<b>Total shareholders' equity</b>	<b>2,887,595</b>	<b>2,967,327</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(15,167)	(1,735)
Foreign currency translation adjustment	(4,743)	(1,485)
<b>Total accumulated other comprehensive income</b>	<b>(19,910)</b>	<b>(3,221)</b>
<b>Non-controlling interests</b>	<b>9,471</b>	<b>–</b>
<b>Total net assets</b>	<b>2,877,156</b>	<b>2,964,105</b>
<b>Total liabilities and net assets</b>	<b>4,847,313</b>	<b>5,093,592</b>

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

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Net sales	11,679,180	11,525,334
Cost of sales	9,016,115	8,896,479
Gross profit	2,663,065	2,628,855
Selling, general and administrative expenses	2,256,405	2,340,001
Operating profit	406,660	288,853
Non-operating income		
Interest income	1,362	1,587
Dividend income	1,209	1,324
Rental income from buildings	2,416	2,223
Commission income	1,233	1,101
Foreign exchange gains	–	1,154
Other	1,194	2,107
Total non-operating income	7,417	9,498
Non-operating expenses		
Interest expenses	1,967	2,148
Taxes and dues	1,625	125
Foreign exchange losses	423	–
Share-based compensation expenses	–	1,575
Other	1,534	561
Total non-operating expenses	5,550	4,409
Ordinary profit	408,526	293,942
Extraordinary losses		
Loss on liquidation of subsidiaries	–	19,317
Total extraordinary losses	–	19,317
Profit before income taxes	408,526	274,624
Income taxes - current	170,846	127,109
Income taxes - deferred	(17,089)	(21,111)
Total income taxes	153,756	105,998
Profit	254,770	168,626
Loss attributable to non-controlling interests	(17,764)	(7,168)
Profit attributable to owners of parent	272,534	175,795

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Profit	254,770	168,626
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,720)	13,431
Foreign currency translation adjustment	(5,694)	5,561
Total other comprehensive income	(20,415)	18,992
Comprehensive income	234,354	187,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	254,422	193,188
Comprehensive income attributable to non-controlling interests	(20,068)	(5,569)

## Consolidated statements of changes in equity

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

Fiscal year ended May 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	590,985	476,485	1,820,399	(274)	2,887,595
Changes during period					
Issuance of new shares	25,667	25,667			51,334
Dividends of surplus			(147,397)		(147,397)
Profit attributable to owners of parent			175,795		175,795
Purchase of treasury shares				–	–
Net changes in items other than shareholders' equity					
Total changes during period	25,667	25,667	28,397	–	79,731
Balance at end of period	616,652	502,152	1,848,796	(274)	2,967,327

	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	(15,167)	(4,743)	(19,910)	–	9,471	2,877,156
Changes during period						
Issuance of new shares						51,334
Dividends of surplus						(147,397)
Profit attributable to owners of parent						175,795
Purchase of treasury shares						–
Net changes in items other than shareholders' equity	13,431	3,257	16,688	–	(9,471)	7,217
Total changes during period	13,431	3,257	16,688	–	(9,471)	86,948
Balance at end of period	(1,735)	(1,485)	(3,221)	–	–	2,964,105

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Cash flows from operating activities		
Profit before income taxes	408,526	274,624
Depreciation	77,665	124,431
Increase (decrease) in allowance for doubtful accounts	4,125	(4,756)
Increase (decrease) in provision for bonuses	10,000	–
Decrease (increase) in retirement benefit asset	321	21,585
Increase (decrease) in retirement benefit liability	8,845	15,341
Interest and dividend income	(2,572)	(2,911)
Interest expenses	1,967	2,148
Share-based payment expenses	8,305	12,252
Loss (gain) on liquidation of subsidiaries	–	19,317
Decrease (increase) in trade receivables	(355,360)	476,133
Decrease (increase) in inventories	(15,482)	23,047
Increase (decrease) in trade payables	37,095	(97,387)
Decrease (increase) in other current assets	(78,671)	31,183
Increase (decrease) in other current liabilities	243,968	(83,571)
Other, net	(2,574)	(2,443)
Subtotal	346,158	808,997
Interest and dividends received	2,571	2,918
Interest paid	(1,941)	(2,272)
Income taxes paid	(184,632)	(143,534)
Net cash provided by (used in) operating activities	162,156	666,108
Cash flows from investing activities		
Payments into time deposits	(21,744)	(12,015)
Proceeds from withdrawal of time deposits	–	9,464
Purchase of property, plant and equipment	(2,041)	(2,667)
Purchase of intangible assets	(108,682)	(86,574)
Purchase of investment securities	(454)	(470)
Purchase of liquidation of subsidiaries	–	(16,863)
Payments of leasehold and guarantee deposits	(7,120)	(2,633)
Proceeds from refund of leasehold and guarantee deposits	2,084	2,195
Purchase of long-term prepaid expenses	(7,808)	(5,441)
Other, net	(2,509)	4,735
Net cash provided by (used in) investing activities	(148,277)	(110,269)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	450,000
Repayments of long-term borrowings	(59,992)	(104,197)
Dividends paid	(174,912)	(145,119)
Purchase of treasury shares	(44)	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	35,309	–
Proceeds from share issuance to non-controlling shareholders	29,540	–
Other, net	(15,905)	(16,947)
Net cash provided by (used in) financing activities	(186,004)	183,735
Effect of exchange rate change on cash and cash equivalents	(1,670)	2,342
Net increase (decrease) in cash and cash equivalents	(173,795)	741,917
Cash and cash equivalents at beginning of period	1,077,185	903,390
Cash and cash equivalents at end of period	903,390	1,645,307