

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP)

April 14, 2022

Company name: SANYO SHOKAI LTD.
 Stock exchange listing: Tokyo
 Stock code: 8011 URL <https://www.sanyo-shokai.co.jp/>
 Representative: Representative Director, President & Chief Shinji Oe
 Operating Officer
 General Manager of Accounting
 Inquiries: Department, Accounting & Finance Tatsuji Tsuchida TEL 03-6380-5346
 Headquarters
 Scheduled date of ordinary general meeting of shareholders: May 27, 2022
 Scheduled date to file Securities Report: May 27, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for the press)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(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 February 28, 2022	38,642	1.9	(1,058)	–	(735)	–	661	–
Year ended February 28, 2021	37,939	–	(8,913)	–	(9,036)	–	(4,988)	–

	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 February 28, 2022	54.59	54.13	2.0	(1.4)	(2.7)
Year ended February 28, 2021	(412.07)	–	(13.8)	(15.7)	(23.5)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2022	51,629	33,920	65.4	2,782.64
As of February 28, 2021	52,926	33,462	63.2	2,763.27

(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 February 28, 2022	(1,638)	(1,356)	527	16,287
Year ended February 28, 2021	(5,656)	15,761	(4,276)	18,781

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 February 28, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended February 28, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending February 28, 2023 (Forecast)	–	0.00	–	40.00	40.00		53.9	

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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 August 31, 2022	24,650	–	(1,060)	–	(1,090)	–	(1,120)	–	(92.36)
Full year	56,000	–	1,200	–	1,140	–	900	–	74.22

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2022

(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 February 28, 2022	12,622,934 shares	As of February 28, 2021	12,622,934 shares
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Number of treasury shares at the end of the period

As of February 28, 2022	488,866 shares	As of February 28, 2021	513,200 shares
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Average number of shares during the period

Year ended February 28, 2022	12,126,550 shares	Year ended February 28, 2021	12,106,124 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	19,652	18,767
Notes and accounts receivable - trade	3,341	2,659
Merchandise and finished goods	9,406	7,819
Work in process	155	191
Raw materials and supplies	249	237
Other	1,154	955
Allowance for doubtful accounts	(12)	(6)
Total current assets	33,947	30,626
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,944	5,730
Accumulated depreciation	(2,131)	(2,286)
Buildings and structures, net	3,813	3,443
Land	4,136	4,136
Leased assets	992	826
Accumulated depreciation	(472)	(555)
Leased assets, net	519	271
Construction in progress	2	2
Other	1,460	1,399
Accumulated depreciation	(568)	(591)
Other, net	891	807
Total property, plant and equipment	9,363	8,662
Intangible assets		
Trademark right	109	3,323
Goodwill	1,248	–
Other	809	626
Total intangible assets	2,167	3,949
Investments and other assets		
Investment securities	4,954	4,802
Leasehold and guarantee deposits	1,559	1,284
Deferred tax assets	5	–
Retirement benefit asset	872	2,284
Other	64	28
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	7,448	8,390
Total non-current assets	18,979	21,003
Total assets	52,926	51,629

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,876	4,176
Current portion of bonds payable	20	–
Short-term borrowings	3,200	3,000
Current portion of long-term borrowings	–	2,800
Lease obligations	266	195
Accrued expenses	5,184	1,615
Accrued consumption taxes	957	462
Income taxes payable	33	138
Provision for bonuses	193	212
Provision for sales returns	10	10
Other	828	1,632
Total current liabilities	14,570	14,242
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	553
Long-term borrowings	2,800	1,000
Lease obligations	422	208
Long-term accounts payable - other	108	74
Deferred tax liabilities	762	899
Deferred tax liabilities for land revaluation	540	540
Retirement benefit liability	235	164
Other	24	25
Total non-current liabilities	4,893	3,465
Total liabilities	19,464	17,708
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus	9,688	9,658
Retained earnings	6,109	6,769
Treasury shares	(1,044)	(994)
Total shareholders' equity	29,755	30,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,721	2,031
Deferred gains or losses on hedges	–	3
Revaluation reserve for land	1,199	1,199
Foreign currency translation adjustment	146	93
Remeasurements of defined benefit plans	639	–
Total accumulated other comprehensive income	3,707	3,328
Non-controlling interests	–	156
Total net assets	33,462	33,920
Total liabilities and net assets	52,926	51,629

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

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	37,939	38,642
Cost of sales	23,424	20,095
Gross profit	14,515	18,547
Selling, general and administrative expenses	23,429	19,605
Operating loss	(8,913)	(1,058)
Non-operating income		
Interest income	9	0
Dividend income	218	152
Foreign exchange gains	–	58
Subsidy income	45	246
Other	29	42
Total non-operating income	303	499
Non-operating expenses		
Interest expenses	79	82
Loan related expenses	16	–
Share of loss of entities accounted for using equity method	314	92
Foreign exchange losses	7	–
Other	9	1
Total non-operating expenses	426	176
Ordinary loss	(9,036)	(735)
Extraordinary income		
Gain on sale of non-current assets	7,128	–
Gain on sale of investment securities	517	501
Gain on sale of golf membership	–	6
Subsidy income	759	304
Reversal of accrued expenses for Cancellation penalty	71	–
Gain on partial termination of retirement benefit plan	–	1,248
Total extraordinary income	8,476	2,060
Extraordinary losses		
Loss on sale of non-current assets	35	–
Loss on retirement of non-current assets	198	8
Impairment losses	937	400
Loss on sale of investment securities	311	–
Loss on sale of golf club membership	3	5
Business restructuring expenses	1,242	–
Cancellation penalty	296	–
Extraordinary loss due to closing and other	1,364	209
Total extraordinary losses	4,390	624
Profit (loss) before income taxes	(4,951)	700
Income taxes - current	41	39
Income taxes - deferred	(1)	(0)
Total income taxes	39	38
Profit (loss)	(4,991)	661
Loss attributable to non-controlling interests	(3)	–
Profit (loss) attributable to owners of parent	(4,988)	661

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit (loss)	(4,991)	661
Other comprehensive income		
Valuation difference on available-for-sale securities	(92)	310
Deferred gains or losses on hedges	–	3
Foreign currency translation adjustment	10	(53)
Remeasurements of defined benefit plans, net of tax	429	(639)
Total other comprehensive income	347	(378)
Comprehensive income	(4,644)	283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,641)	283
Comprehensive income attributable to non-controlling interests	(3)	–

Consolidated statements of changes in equity

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	10,028	12,890	(1,072)	36,848
Changes during period					
Dividends of surplus			(278)		(278)
Profit (loss) attributable to owners of parent			(4,988)		(4,988)
Disposal of treasury shares		(15)		27	12
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(324)			(324)
Reversal of revaluation reserve for land			(1,516)		(1,516)
Net changes in items other than shareholders' equity			2		2
Total changes during period	-	(340)	(6,780)	27	(7,093)
Balance at end of period	15,002	9,688	6,109	(1,044)	29,755

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,814	-	(316)	135	210	1,843	130	38,822
Changes during period								
Dividends of surplus								(278)
Profit (loss) attributable to owners of parent								(4,988)
Disposal of treasury shares								12
Purchase of treasury shares								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								(324)
Reversal of revaluation reserve for land								(1,516)
Net changes in items other than shareholders' equity	(92)	-	1,516	10	429	1,863	(130)	1,736
Total changes during period	(92)	-	1,516	10	429	1,863	(130)	(5,360)
Balance at end of period	1,721	-	1,199	146	639	3,707	-	33,462

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,688	6,109	(1,044)	29,755
Changes during period					
Dividends of surplus			–		–
Profit (loss) attributable to owners of parent			661		661
Disposal of treasury shares		(30)		51	21
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		–			–
Reversal of revaluation reserve for land			–		–
Net changes in items other than shareholders' equity			(2)		(2)
Total changes during period	–	(30)	659	50	680
Balance at end of period	15,002	9,658	6,769	(994)	30,435

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,721	–	1,199	146	639	3,707	–	33,462
Changes during period								
Dividends of surplus								–
Profit (loss) attributable to owners of parent								661
Disposal of treasury shares								21
Purchase of treasury shares								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								–
Reversal of revaluation reserve for land								–
Net changes in items other than shareholders' equity	310	3	–	(53)	(639)	(378)	156	(224)
Total changes during period	310	3	–	(53)	(639)	(378)	156	458
Balance at end of period	2,031	3	1,199	93	–	3,328	156	33,920

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(4,951)	700
Depreciation	869	1,039
Amortization of goodwill	153	–
Impairment losses	937	400
Increase (decrease) in allowance for doubtful accounts	(5)	(6)
Increase (decrease) in provision for bonuses	(217)	18
Increase (decrease) in retirement benefit liability	235	(71)
Decrease (increase) in retirement benefit asset	(435)	(400)
Interest and dividend income	(227)	(152)
Interest expenses	79	82
Share of loss (profit) of entities accounted for using equity method	314	92
Loss on retirement of non-current assets	198	8
Business restructuring expenses	1,242	–
Loss (gain) on sale of property, plant and equipment	(7,092)	–
Loss (gain) on sale of investment securities	(206)	(501)
Loss (gain) on sale of golf club membership	3	(1)
Subsidy income	(805)	(550)
Cancellation penalty	296	–
Reversal of accrued expenses for Cancellation penalty	(71)	–
Gain on partial termination of retirement benefit plan	–	(1,248)
Extraordinary loss due to closing and other	1,364	209
Decrease (increase) in trade receivables	834	618
Decrease (increase) in inventories	4,252	1,535
Decrease (increase) in other current assets	195	35
Increase (decrease) in trade payables	(2,720)	299
Increase (decrease) in other current liabilities	1,155	(2,958)
Other, net	(95)	(1)
Subtotal	(4,693)	(849)
Interest and dividends received	227	153
Interest paid	(87)	(82)
Income taxes paid	(145)	(66)
Income taxes refund	55	94
Cancellation penalty paid	(500)	–
Business structure improvement expenses paid	–	(1,232)
Extraordinary loss due to closing and other paid	(1,318)	(206)
Subsidies received	805	550
Net cash provided by (used in) operating activities	(5,656)	(1,638)

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from investing activities		
Payments into time deposits	(870)	(1,610)
Purchase of property, plant and equipment	(466)	(176)
Proceeds from sale of property, plant and equipment	12,588	–
Proceeds from sale of investment securities	4,531	622
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	1,286
Purchase of intangible assets	(471)	(1,679)
Purchase of shares of subsidiaries and associates	(10)	–
Loan advances	(390)	(70)
Proceeds from collection of loans receivable	1	71
Payments of leasehold and guarantee deposits	(182)	(84)
Proceeds from refund of leasehold and guarantee deposits	1,274	345
Payments for asset retirement obligations	(235)	(83)
Other, net	(8)	20
Net cash provided by (used in) investing activities	15,761	(1,356)

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,200	(200)
Proceeds from long-term borrowings	12,800	1,000
Repayments of long-term borrowings	(18,000)	–
Redemption of bonds	(32)	–
Purchase of treasury shares	(0)	(0)
Dividends paid	(278)	–
Repayments of lease obligations	(498)	(271)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(451)	–
Other, net	(16)	–
Net cash provided by (used in) financing activities	(4,276)	527
Effect of exchange rate change on cash and cash equivalents	16	(59)
Net increase (decrease) in cash and cash equivalents	5,844	(2,526)
Cash and cash equivalents at beginning of period	12,936	18,781
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	32
Cash and cash equivalents at end of period	18,781	16,287