

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2023 (Based on Japanese GAAP)

April 14, 2023

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 30, 2023
 Scheduled date to file Securities Report: May 30, 2023
 Scheduled date to commence dividend payments: May 31, 2023
 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, 2023 (from March 1, 2022 to February 28, 2023)

(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, 2023	58,273	–	2,235	–	2,437	–	2,155	–
Year ended February 28, 2022	38,642	1.9	(1,058)	–	(735)	–	661	–

	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, 2023	178.68	171.73	6.1	4.6	3.8
Year ended February 28, 2022	54.59	54.13	2.0	(1.4)	(2.7)

(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, 2023	54,413	36,435	66.9	3,124.38
As of February 28, 2022	51,629	33,920	65.4	2,782.64

(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, 2023	4,215	(1,048)	(920)	18,416
Year ended February 28, 2022	(1,638)	(1,356)	527	16,287

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, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ended February 28, 2023	–	0.00	–	55.00	55.00	641	30.8	1.9
Year ending February 29, 2024 (Forecast)	–	0.00	–	59.00	59.00		31.3	

3. Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

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, 2023	26,500	4.1	(100)	–	(50)	–	(100)	–	(8.58)
Full year	59,500	2.1	2,400	7.3	2,500	2.6	2,200	2.1	188.72

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2023

(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: Yes

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, 2023	12,622,934 shares	As of February 28, 2022	12,622,934 shares
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Number of treasury shares at the end of the period

As of February 28, 2023	965,730 shares	As of February 28, 2022	488,866 shares
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Average number of shares during the period

Year ended February 28, 2023	12,062,929 shares	Year ended February 28, 2022	12,126,550 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	18,767	20,896
Notes and accounts receivable - trade	2,659	–
Accounts receivable - trade	–	3,360
Merchandise and finished goods	7,819	8,024
Work in process	191	176
Raw materials and supplies	237	279
Other	955	1,993
Allowance for doubtful accounts	(6)	(5)
Total current assets	30,626	34,725
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,730	5,767
Accumulated depreciation	(2,286)	(2,384)
Buildings and structures, net	3,443	3,383
Land	4,136	4,136
Leased assets	826	694
Accumulated depreciation	(555)	(517)
Leased assets, net	271	177
Construction in progress	2	3
Other	1,399	1,459
Accumulated depreciation	(591)	(601)
Other, net	807	858
Total property, plant and equipment	8,662	8,559
Intangible assets		
Trademark right	3,323	2,512
Other	626	714
Total intangible assets	3,949	3,226
Investments and other assets		
Investment securities	4,802	5,748
Leasehold and guarantee deposits	1,284	1,081
Retirement benefit asset	2,284	3
Other	28	1,074
Allowance for doubtful accounts	(8)	(6)
Total investments and other assets	8,390	7,902
Total non-current assets	21,003	19,687
Total assets	51,629	54,413

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,176	5,265
Current portion of convertible bond-type bonds with share acquisition rights	–	553
Short-term borrowings	3,000	3,000
Current portion of long-term borrowings	2,800	–
Lease liabilities	195	150
Accrued expenses	1,615	2,110
Accrued consumption taxes	462	359
Income taxes payable	138	354
Provision for bonuses	212	510
Provision for bonuses for directors (and other officers)	–	20
Provision for sales returns	10	–
Other	1,632	414
Total current liabilities	14,242	12,738
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	553	–
Long-term borrowings	1,000	3,800
Lease liabilities	208	64
Long-term accounts payable - other	74	61
Deferred tax liabilities	899	506
Deferred tax liabilities for land revaluation	540	540
Retirement benefit liability	164	201
Other	25	65
Total non-current liabilities	3,465	5,239
Total liabilities	17,708	17,978
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus	9,658	9,631
Retained earnings	6,769	8,930
Treasury shares	(994)	(1,608)
Total shareholders' equity	30,435	31,955
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,031	3,132
Deferred gains or losses on hedges	3	13
Revaluation reserve for land	1,199	1,199
Foreign currency translation adjustment	93	119
Total accumulated other comprehensive income	3,328	4,465
Non-controlling interests	156	13
Total net assets	33,920	36,435
Total liabilities and net assets	51,629	54,413

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

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	38,642	58,273
Cost of sales	20,095	22,162
Gross profit	18,547	36,110
Selling, general and administrative expenses	19,605	33,874
Operating profit (loss)	(1,058)	2,235
Non-operating income		
Interest income	0	0
Dividend income	152	188
Foreign exchange gains	58	53
Subsidy income	246	48
Other	42	28
Total non-operating income	499	319
Non-operating expenses		
Interest expenses	82	98
Share of loss of entities accounted for using equity method	92	12
Other	1	8
Total non-operating expenses	176	118
Ordinary profit (loss)	(735)	2,437
Extraordinary income		
Gain on sale of investment securities	501	–
Gain on sale of golf membership	6	–
Subsidy income	304	67
Gain on partial termination of retirement benefit plan	1,248	–
Total extraordinary income	2,060	67
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	8	45
Impairment losses	400	808
Loss on sale of investment securities	–	184
Loss on sale of golf club membership	5	–
Loss on liquidation of subsidiaries and associates	–	117
Extraordinary loss due to closing and other	209	–
Total extraordinary losses	624	1,155
Profit before income taxes	700	1,348
Income taxes - current	39	219
Income taxes - deferred	(0)	(883)
Total income taxes	38	(664)
Profit	661	2,012
Loss attributable to non-controlling interests	–	(142)
Profit attributable to owners of parent	661	2,155

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	661	2,012
Other comprehensive income		
Valuation difference on available-for-sale securities	310	1,100
Deferred gains or losses on hedges	3	9
Foreign currency translation adjustment	(53)	26
Remeasurements of defined benefit plans, net of tax	(639)	–
Total other comprehensive income	(378)	1,136
Comprehensive income	283	3,149
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	283	3,292
Comprehensive income attributable to non-controlling interests	–	(142)

Consolidated statements of changes in equity

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
Cumulative effects of changes in accounting policies					–
Restated balance	15,002	9,688	6,109	(1,044)	29,755
Changes during period					
Profit (loss) attributable to owners of parent			661		661
Disposal of treasury shares		(30)		51	21
Purchase of treasury shares				(0)	(0)
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
Cumulative effects of changes in accounting policies								–
Restated balance	1,721	–	1,199	146	639	3,707	–	33,462
Changes during period								
Profit (loss) attributable to owners of parent								661
Disposal of treasury shares								21
Purchase of treasury shares								(0)
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

Fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,658	6,769	(994)	30,435
Cumulative effects of changes in accounting policies			6		6
Restated balance	15,002	9,658	6,775	(994)	30,441
Changes during period					
Profit (loss) attributable to owners of parent			2,155		2,155
Disposal of treasury shares		(26)		47	21
Purchase of treasury shares				(662)	(662)
Net changes in items other than shareholders' equity					
Total changes during period	–	(26)	2,155	(614)	1,513
Balance at end of period	15,002	9,631	8,930	(1,608)	31,955

	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	2,031	3	1,199	93	–	3,328	156	33,920
Cumulative effects of changes in accounting policies								6
Restated balance	2,031	3	1,199	93	–	3,328	156	33,926
Changes during period								
Profit (loss) attributable to owners of parent								2,155
Disposal of treasury shares								21
Purchase of treasury shares								(662)
Net changes in items other than shareholders' equity	1,100	9	–	26	–	1,136	(142)	994
Total changes during period	1,100	9	–	26	–	1,136	(142)	2,508
Balance at end of period	3,132	13	1,199	119	–	4,465	13	36,435

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	700	1,348
Depreciation	1,039	953
Impairment losses	400	808
Increase (decrease) in allowance for doubtful accounts	(6)	(2)
Increase (decrease) in provision for bonuses	18	298
Increase (decrease) in provision for bonuses for directors (and other officers)	–	20
Increase (decrease) in retirement benefit liability	(71)	37
Decrease (increase) in retirement benefit asset	(400)	2,280
Interest and dividend income	(152)	(189)
Interest expenses	82	98
Share of loss (profit) of entities accounted for using equity method	92	12
Loss on retirement of non-current assets	8	45
Loss (gain) on sale of property, plant and equipment	–	0
Loss (gain) on sale of investment securities	(501)	184
Loss (gain) on sale of golf club membership	(1)	–
Subsidy income	(550)	(115)
Loss (gain) on liquidation of subsidiaries and associates	–	117
Gain on partial termination of retirement benefit plan	(1,248)	–
Extraordinary loss due to closing and other	209	–
Decrease (increase) in trade receivables	618	(701)
Decrease (increase) in inventories	1,535	(231)
Decrease (increase) in other current assets	35	(924)
Decrease (increase) in long-term prepaid expenses	–	(1,056)
Increase (decrease) in trade payables	299	1,027
Increase (decrease) in other current liabilities	(2,958)	23
Other, net	(1)	19
Subtotal	(849)	4,055
Interest and dividends received	153	189
Interest paid	(82)	(101)
Income taxes paid	(66)	(67)
Income taxes refund	94	25
Business structure improvement expenses paid	(1,232)	–
Extraordinary loss due to closing and other paid	(206)	–
Subsidies received	550	115
Net cash provided by (used in) operating activities	(1,638)	4,215

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from investing activities		
Payments into time deposits	(1,610)	–
Purchase of property, plant and equipment	(176)	(346)
Proceeds from sale of property, plant and equipment	–	0
Proceeds from sale of investment securities	622	444
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,286	–
Purchase of intangible assets	(1,679)	(1,175)
Loan advances	(70)	(0)
Proceeds from collection of loans receivable	71	1
Payments of leasehold and guarantee deposits	(84)	(44)
Proceeds from refund of leasehold and guarantee deposits	345	141
Payments for asset retirement obligations	(83)	(70)
Other, net	20	1
Net cash provided by (used in) investing activities	(1,356)	(1,048)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	–
Proceeds from long-term borrowings	1,000	2,800
Repayments of long-term borrowings	–	(2,800)
Purchase of treasury shares	(0)	(662)
Repayments of lease liabilities	(271)	(257)
Net cash provided by (used in) financing activities	527	(920)
Effect of exchange rate change on cash and cash equivalents	(59)	(118)
Net increase (decrease) in cash and cash equivalents	(2,526)	2,128
Cash and cash equivalents at beginning of period	18,781	16,287
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32	–
Cash and cash equivalents at end of period	16,287	18,416