

Translation

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Summary of Consolidated Financial Results for the Three Months Ended August 31, 2017 (Based on Japanese GAAP)

October 11, 2017

Company name: Sanko Gosei Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7888 URL: <http://www.sankogosei.co.jp>
 Representative: Representative Director/President Kenso Kuroda
 Inquiries: Director/Executive Officer Akira Serikawa TEL 0763-52-7105
 Scheduled date to file Quarterly Securities Report: October 12, 2017
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended August 31, 2017 (from June 1, 2017 to August 31, 2017)

(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	%
Three months ended August 31, 2017	14,136	9.8	627	77.1	553	219.2	437	296.8
Three months ended August 31, 2016	12,871	(9.1)	354	(46.9)	173	42.8	110	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended August 31, 2017	17.17		–	
Three months ended August 31, 2016	4.32		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of August 31, 2017	44,939		15,442		33.3		587.30	
As of May 31, 2017	44,004		15,052		33.1		571.83	

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, 2017	–	5.00	–	5.00	10.00
Year ending May 31, 2018	–	–	–	–	–
Year ending May 31, 2018 (Forecast)	–	5.00	–	5.00	10.00

3. Forecast of consolidated financial results for the year ending May 31, 2018 (from June 1, 2017 to May 31, 2018)

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, 2017	28,000	1.7	1,200	11.4	1,100	5.6	650	(18.4)	25.51
Full year	56,500	0.6	2,400	1.7	2,200	(2.3)	1,300	9.6	51.01

4. Notes

- (1) Changes in significant subsidiaries during the three months ended August 31, 2017
 (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 August 31, 2017	25,688,569 shares	As of May 31, 2017	25,688,569 shares
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Number of treasury shares at the end of the period

As of August 31, 2017	204,362 shares	As of May 31, 2017	204,362 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended August 31, 2017	25,484,207 shares	Three months ended August 31, 2016	25,485,695 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2017	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	6,443	6,912
Notes and accounts receivable - trade	12,124	11,388
Merchandise and finished goods	1,227	1,359
Work in process	1,997	2,173
Raw materials and supplies	652	703
Other	1,645	1,871
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,089	24,407
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,076	6,063
Machinery, equipment and vehicles, net	6,732	7,351
Tools, furniture and fixtures, net	874	939
Land	4,105	4,247
Construction in progress	674	518
Total property, plant and equipment	18,464	19,120
Intangible assets		
Goodwill	240	231
Other	468	450
Total intangible assets	708	681
Investments and other assets		
Investment securities	390	374
Other	640	624
Allowance for doubtful accounts	(32)	(29)
Allowance for investment loss	(255)	(239)
Total investments and other assets	742	730
Total non-current assets	19,915	20,531
Total assets	44,004	44,939

(Millions of yen)

	As of May 31, 2017	As of August 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,636	9,943
Short-term loans payable	1,812	1,991
Current portion of long-term loans payable	2,828	2,842
Current portion of bonds	470	470
Income taxes payable	330	142
Provision for bonuses	193	139
Provision for directors' bonuses	33	–
Other	3,852	4,185
Total current liabilities	19,156	19,715
Non-current liabilities		
Bonds payable	605	605
Long-term loans payable	6,090	6,110
Provision for directors' retirement benefits	23	23
Net defined benefit liability	1,014	997
Other	2,061	2,045
Total non-current liabilities	9,795	9,781
Total liabilities	28,952	29,496
Net assets		
Shareholders' equity		
Capital stock	2,885	2,885
Capital surplus	2,964	2,964
Retained earnings	10,303	10,613
Treasury shares	(43)	(43)
Total shareholders' equity	16,109	16,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(4)
Foreign currency translation adjustment	(1,067)	(1,017)
Remeasurements of defined benefit plans	(465)	(431)
Total accumulated other comprehensive income	(1,537)	(1,453)
Non-controlling interests	479	475
Total net assets	15,052	15,442
Total liabilities and net assets	44,004	44,939

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended August 31, 2016	Three months ended August 31, 2017
Net sales	12,871	14,136
Cost of sales	11,001	11,848
Gross profit	1,870	2,288
Selling, general and administrative expenses	1,516	1,661
Operating profit	354	627
Non-operating income		
Interest and dividend income	8	10
Share of profit of entities accounted for using equity method	1	–
Compensation income	22	27
Rent income	15	16
Other	11	9
Total non-operating income	59	64
Non-operating expenses		
Interest expenses	88	54
Share of loss of entities accounted for using equity method	–	7
Foreign exchange losses	135	10
Other	16	65
Total non-operating expenses	239	137
Ordinary profit	173	553
Extraordinary income		
Gain on sales of non-current assets	8	3
Reversal of allowance for investment loss	–	16
Total extraordinary income	8	19
Extraordinary losses		
Loss on retirement of non-current assets	0	6
Loss on sales of non-current assets	0	0
Loss on Swap EL	5	32
Total extraordinary losses	6	39
Profit before income taxes	176	533
Income taxes	132	109
Profit	43	423
Loss attributable to non-controlling interests	(66)	(13)
Profit attributable to owners of parent	110	437

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended August 31, 2016	Three months ended August 31, 2017
Profit	43	423
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(605)	67
Remeasurements of defined benefit plans, net of tax	2	34
Share of other comprehensive income of entities accounted for using equity method	7	(8)
Total other comprehensive income	(595)	92
Comprehensive income	(551)	516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(462)	521
Comprehensive income attributable to non-controlling interests	(88)	(5)