

**Translation**

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**Summary of Consolidated Financial Results  
for the Six Months Ended November 30, 2017  
(Based on Japanese GAAP)**

January 10, 2018

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: January 12, 2018  
 Scheduled date to commence dividend payments: February 2, 2018  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2017 (from June 1, 2017 to November 30, 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	%
Six months ended November 30, 2017	30,155	9.5	1,495	38.8	1,352	29.8	1,032	29.7
Six months ended November 30, 2016	27,528	(6.4)	1,076	(22.9)	1,042	32.8	796	49.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2017	40.53		-	
Six months ended November 30, 2016	31.25		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2017	47,005	16,277	33.5	618.61
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	-	6.00	-	-	-
Year ending May 31, 2018 (Forecast)	-	-	-	6.00	12.00

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
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 six months ended November 30, 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 November 30, 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 November 30, 2017	204,497 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)

Six months ended November 30, 2017	25,484,189 shares	Six months ended November 30, 2016	25,485,430 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of May 31, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	6,443	8,008
Notes and accounts receivable - trade	12,124	12,166
Merchandise and finished goods	1,227	1,112
Work in process	1,997	1,940
Raw materials and supplies	652	756
Other	1,645	1,923
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,089	25,906
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,076	6,359
Machinery, equipment and vehicles, net	6,732	8,001
Tools, furniture and fixtures, net	874	957
Land	4,105	4,278
Construction in progress	674	118
Total property, plant and equipment	18,464	19,716
Intangible assets		
Goodwill	240	227
Other	468	436
Total intangible assets	708	663
Investments and other assets		
Investment securities	390	368
Other	640	611
Allowance for doubtful accounts	(32)	(29)
Allowance for investment loss	(255)	(231)
Total investments and other assets	742	719
Total non-current assets	19,915	21,099
Total assets	44,004	47,005

(Millions of yen)

	As of May 31, 2017	As of November 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,636	10,171
Short-term loans payable	1,812	3,971
Current portion of long-term loans payable	2,828	2,743
Current portion of bonds	470	390
Income taxes payable	330	279
Provision for bonuses	193	176
Provision for directors' bonuses	33	–
Other	3,852	4,360
Total current liabilities	19,156	22,092
Non-current liabilities		
Bonds payable	605	450
Long-term loans payable	6,090	5,014
Provision for directors' retirement benefits	23	23
Net defined benefit liability	1,014	982
Other	2,061	2,164
Total non-current liabilities	9,795	8,635
Total liabilities	28,952	30,728
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,885	2,885
Capital surplus	2,964	2,964
Retained earnings	10,303	11,208
Treasury shares	(43)	(43)
Total shareholders' equity	16,109	17,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(2)
Foreign currency translation adjustment	(1,067)	(843)
Remeasurements of defined benefit plans	(465)	(404)
Total accumulated other comprehensive income	(1,537)	(1,250)
Non-controlling interests	479	512
Total net assets	15,052	16,277
Total liabilities and net assets	44,004	47,005

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Net sales	27,528	30,155
Cost of sales	23,318	25,276
Gross profit	4,210	4,879
Selling, general and administrative expenses	3,133	3,384
Operating profit	1,076	1,495
Non-operating income		
Interest and dividend income	15	16
Share of profit of entities accounted for using equity method	0	–
Compensation income	24	28
Rent income	30	31
Foreign exchange gains	54	21
Other	25	27
Total non-operating income	151	125
Non-operating expenses		
Interest expenses	151	129
Share of loss of entities accounted for using equity method	–	25
Other	35	113
Total non-operating expenses	186	268
Ordinary profit	1,042	1,352
Extraordinary income		
Gain on sales of non-current assets	9	4
Reversal of allowance for investment loss	–	23
Total extraordinary income	9	28
Extraordinary losses		
Loss on retirement of non-current assets	2	18
Loss on sales of non-current assets	1	1
Loss on swap	12	50
Total extraordinary losses	16	70
Profit before income taxes	1,034	1,310
Income taxes	353	264
Profit	681	1,045
Profit (loss) attributable to non-controlling interests	(114)	12
Profit attributable to owners of parent	796	1,032

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Profit	681	1,045
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	(241)	241
Remeasurements of defined benefit plans, net of tax	25	61
Share of other comprehensive income of entities accounted for using equity method	(40)	1
Total other comprehensive income	(256)	305
Comprehensive income	424	1,351
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	535	1,319
Comprehensive income attributable to non-controlling interests	(110)	31

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,034	1,310
Depreciation	1,336	1,196
Amortization of goodwill	31	15
Share of (profit) loss of entities accounted for using equity method	(0)	25
Increase (decrease) in allowance for doubtful accounts	0	(3)
Increase (decrease) in allowance for investment loss	-	(23)
Increase (decrease) in net defined benefit liability	(32)	45
Interest and dividend income	(15)	(16)
Interest expenses	151	129
Loss (gain) on sales of property, plant and equipment	(8)	(3)
Loss on retirement of property, plant and equipment	2	18
Foreign exchange losses (gains)	(12)	(21)
Loss(Gain) on swap	12	50
Decrease (increase) in notes and accounts receivable - trade	297	184
Decrease (increase) in inventories	(427)	112
Decrease (increase) in other asset	(304)	41
Increase (decrease) in notes and accounts payable - trade	(125)	308
Increase (decrease) in other liability	481	315
Other, net	477	(65)
Subtotal	2,898	3,621
Interest and dividend income received	15	16
Interest expenses paid	(158)	(117)
Income taxes paid	(402)	(288)
Net cash provided by (used in) operating activities	2,353	3,232
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(850)	(1,851)
Proceeds from sales of property, plant and equipment	10	14
Other, net	(16)	(51)
Net cash provided by (used in) investing activities	(856)	(1,888)

(Millions of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(362)	2,089
Proceeds from long-term loan payable	750	280
Repayments of long-term loans payable	(1,341)	(1,460)
Proceeds from issuance of bonds	744	–
Redemption of bonds	(210)	(235)
Repayments of lease obligations	(539)	(475)
Cash dividends paid	(127)	(127)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(1,085)	71
Effect of exchange rate change on cash and cash equivalents	(208)	148
Net increase (decrease) in cash and cash equivalents	201	1,564
Cash and cash equivalents at beginning of period	5,505	6,443
Cash and cash equivalents at end of period	5,707	8,008