

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended February 28, 2018 (Based on Japanese GAAP)

April 5, 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: April 12, 2018
 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 nine months ended February 28, 2018 (from June 1, 2017 to February 28, 2018)

(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	%
Nine months ended February 28, 2018	43,757	7.0	1,990	25.8	1,834	11.8	1,309	23.4
Nine months ended February 28, 2017	40,878	2.3	1,582	(7.6)	1,640	137.1	1,061	108.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended February 28, 2018	51.39		–	
Nine months ended February 28, 2017	41.64		–	

(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, 2018	45,489	16,209	34.5	616.34
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	58,000	3.3	2,500	6.0	2,300	2.1	1,500	26.5	58.86

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended February 28, 2018
(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 February 28, 2018	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 February 28, 2018	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)

Nine months ended February 28, 2018	25,484,150 shares	Nine months ended February 28, 2017	25,485,189 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	6,443	6,229
Notes and accounts receivable - trade	12,124	12,313
Merchandise and finished goods	1,227	974
Work in process	1,997	2,312
Raw materials and supplies	652	757
Other	1,645	1,780
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,089	24,367
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,076	6,170
Machinery, equipment and vehicles, net	6,732	7,878
Tools, furniture and fixtures, net	874	914
Land	4,105	4,490
Construction in progress	674	352
Total property, plant and equipment	18,464	19,806
Intangible assets		
Goodwill	240	210
Other	468	423
Total intangible assets	708	634
Investments and other assets		
Investment securities	390	372
Other	640	573
Allowance for doubtful accounts	(32)	(29)
Allowance for investment loss	(255)	(234)
Total investments and other assets	742	681
Total non-current assets	19,915	21,122
Total assets	44,004	45,489

(Millions of yen)

	As of May 31, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,636	10,378
Short-term loans payable	1,812	3,949
Current portion of long-term loans payable	2,828	2,616
Current portion of bonds	470	390
Income taxes payable	330	281
Provision for bonuses	193	133
Provision for directors' bonuses	33	–
Other	3,852	3,365
Total current liabilities	19,156	21,114
Non-current liabilities		
Bonds payable	605	450
Long-term loans payable	6,090	4,856
Provision for directors' retirement benefits	23	23
Net defined benefit liability	1,014	959
Other	2,061	1,875
Total non-current liabilities	9,795	8,165
Total liabilities	28,952	29,279
Net assets		
Shareholders' equity		
Capital stock	2,885	2,885
Capital surplus	2,964	2,964
Retained earnings	10,303	11,332
Treasury shares	(43)	(43)
Total shareholders' equity	16,109	17,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(2)
Foreign currency translation adjustment	(1,067)	(1,052)
Remeasurements of defined benefit plans	(465)	(377)
Total accumulated other comprehensive income	(1,537)	(1,432)
Non-controlling interests	479	503
Total net assets	15,052	16,209
Total liabilities and net assets	44,004	45,489

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended February 28, 2017	Nine months ended February 28, 2018
Net sales	40,878	43,757
Cost of sales	34,644	36,877
Gross profit	6,234	6,879
Selling, general and administrative expenses	4,651	4,888
Operating profit	1,582	1,990
Non-operating income		
Interest and dividend income	20	25
Rent income	47	45
Foreign exchange gains	95	31
Other	244	106
Total non-operating income	408	208
Non-operating expenses		
Interest expenses	244	195
Share of loss of entities accounted for using equity method	17	29
Other	89	139
Total non-operating expenses	350	364
Ordinary profit	1,640	1,834
Extraordinary income		
Gain on sales of non-current assets	9	5
State subsidy	–	25
Reversal of allowance for investment loss	–	20
Total extraordinary income	9	50
Extraordinary losses		
Loss on retirement of non-current assets	32	28
Loss on sales of non-current assets	2	7
Loss on Swap EL	158	27
Loss on reduction of non-current assets	–	25
Other	0	–
Total extraordinary losses	193	89
Profit before income taxes	1,456	1,796
Income taxes	501	469
Profit	955	1,326
Profit (loss) attributable to non-controlling interests	(105)	17
Profit attributable to owners of parent	1,061	1,309

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended February 28, 2017	Nine months ended February 28, 2018
Profit	955	1,326
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	(154)	10
Remeasurements of defined benefit plans, net of tax	47	88
Share of other comprehensive income of entities accounted for using equity method	(59)	9
Total other comprehensive income	(165)	109
Comprehensive income	790	1,436
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	882	1,414
Comprehensive income attributable to non-controlling interests	(91)	21