

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2018 (Based on Japanese GAAP)

January 9, 2019

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 11, 2019
 Scheduled date to commence dividend payments: February 1, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2018 (from June 1, 2018 to November 30, 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	%
Six months ended November 30, 2018	27,733	(8.0)	1,181	(21.0)	1,032	(23.7)	744	(27.9)
Six months ended November 30, 2017	30,155	9.5	1,495	38.8	1,352	29.8	1,032	29.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended November 30, 2018	26.04	–
Six months ended November 30, 2017	40.53	–

(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, 2018	48,642	19,966	39.9	636.76
As of May 31, 2018	45,649	16,961	36.0	644.54

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended May 31, 2018	–	6.00	–	6.00	12.00
Year ending May 31, 2019	–	7.00	–	–	–
Year ending May 31, 2019 (Forecast)	–	–	–	7.00	14.00

3. Forecast of consolidated financial results for the year ending May 31, 2019 (from June 1, 2018 to May 31, 2019)

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	60,000	2.8	2,900	1.9	2,500	(4.7)	1,700	(8.0)	57.54

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 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: Yes
- 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, 2018	30,688,569 shares	As of May 31, 2018	25,688,569 shares
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Number of treasury shares at the end of the period

As of November 30, 2018	204,590 shares	As of May 31, 2018	204,494 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, 2018	28,601,741 shares	Six months ended November 30, 2017	25,484,189 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of May 31, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	6,898	8,426
Notes and accounts receivable - trade	12,069	12,685
Merchandise and finished goods	958	808
Work in process	1,924	1,836
Raw materials and supplies	693	779
Other	1,701	1,968
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,245	26,504
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,251	6,300
Machinery, equipment and vehicles, net	7,863	7,789
Tools, furniture and fixtures, net	876	858
Land	4,471	4,566
Construction in progress	368	1,282
Total property, plant and equipment	19,832	20,798
Intangible assets		
Goodwill	205	198
Other	410	429
Total intangible assets	616	628
Investments and other assets		
Investment securities	395	24
Other	865	687
Allowance for doubtful accounts	(29)	-
Allowance for investment loss	(276)	-
Total investments and other assets	955	712
Total non-current assets	21,404	22,138
Total assets	45,649	48,642

(Millions of yen)

	As of May 31, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,293	8,977
Short-term loans payable	5,438	2,434
Current portion of long-term loans payable	2,526	2,877
Current portion of bonds	230	150
Income taxes payable	215	238
Provision for bonuses	169	175
Provision for directors' bonuses	36	–
Other	3,790	3,990
Total current liabilities	21,702	18,843
Non-current liabilities		
Bonds payable	375	300
Long-term loans payable	3,821	6,780
Provision for directors' retirement benefits	23	23
Net defined benefit liability	956	920
Other	1,809	1,809
Total non-current liabilities	6,986	9,832
Total liabilities	28,688	28,676
Net assets		
Shareholders' equity		
Capital stock	2,885	4,008
Capital surplus	2,964	4,087
Retained earnings	12,095	12,687
Treasury shares	(43)	(43)
Total shareholders' equity	17,901	20,740
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(3)
Remeasurements of defined benefit plans	(360)	(325)
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(1,112)	(998)
Total accumulated other comprehensive income	(1,476)	(1,329)
Non-controlling interests	535	555
Total net assets	16,961	19,966
Total liabilities and net assets	45,649	48,642

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, 2017	Six months ended November 30, 2018
Net sales	30,155	27,733
Cost of sales	25,276	23,254
Gross profit	4,879	4,479
Selling, general and administrative expenses	3,384	3,297
Operating profit	1,495	1,181
Non-operating income		
Interest and dividend income	16	16
Rent income	31	31
Other	77	43
Total non-operating income	125	90
Non-operating expenses		
Interest expenses	129	127
Share of loss of entities accounted for using equity method	25	–
Foreign exchange losses	–	26
Other	113	86
Total non-operating expenses	268	239
Ordinary profit	1,352	1,032
Extraordinary income		
Gain on sales of non-current assets	4	6
Reversal of allowance for investment loss	23	–
Total extraordinary income	28	6
Extraordinary losses		
Loss on retirement of non-current assets	18	7
Loss on sales of non-current assets	1	1
Loss on sales of shares of subsidiaries and associates	–	16
Loss on swap	50	39
Total extraordinary losses	70	65
Profit before income taxes	1,310	973
Income taxes	264	214
Profit	1,045	759
Profit attributable to non-controlling interests	12	14
Profit attributable to owners of parent	1,032	744

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Profit	1,045	759
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	241	118
Remeasurements of defined benefit plans, net of tax	61	34
Share of other comprehensive income of entities accounted for using equity method	1	–
Total other comprehensive income	305	152
Comprehensive income	1,351	911
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,319	892
Comprehensive income attributable to non-controlling interests	31	19

Consolidated statements of cash flows

(Millions of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,310	973
Depreciation	1,196	1,275
Amortization of goodwill	15	15
Share of loss (profit) of entities accounted for using equity method	25	–
Increase (decrease) in allowance for doubtful accounts	(3)	(29)
Increase (decrease) in allowance for investment loss	(23)	(276)
Increase (decrease) in net defined benefit liability	45	14
Interest and dividend income	(16)	(16)
Interest expenses	129	127
Loss (gain) on sales of shares of subsidiaries and associates	–	16
Loss (gain) on sales of property, plant and equipment	(3)	(5)
Loss on retirement of property, plant and equipment	18	7
Loss(Gain) on swap	50	39
Decrease (increase) in notes and accounts receivable - trade	184	(550)
Decrease (increase) in inventories	112	173
Decrease (increase) in other asset	41	227
Increase (decrease) in notes and accounts payable - trade	308	(401)
Increase (decrease) in other liability	315	(109)
Other, net	(86)	114
Subtotal	3,621	1,598
Interest and dividend income received	16	16
Interest expenses paid	(117)	(122)
Income taxes paid	(288)	(275)
Net cash provided by (used in) operating activities	3,232	1,216
Cash flows from investing activities		
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,851)	(1,543)
Proceeds from sales of property, plant and equipment	14	20
Other, net	(51)	(53)
Net cash provided by (used in) investing activities	(1,888)	(1,576)

(Millions of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,089	(3,029)
Proceeds from long-term loan payable	280	4,660
Repayments of long-term loans payable	(1,460)	(1,391)
Redemption of bonds	(235)	(155)
Proceeds from issuance of common shares	–	2,228
Repayments of lease obligations	(475)	(410)
Cash dividends paid	(127)	(152)
Dividends paid to non-controlling interests	–	(0)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	71	1,750
Effect of exchange rate change on cash and cash equivalents	148	137
Net increase (decrease) in cash and cash equivalents	1,564	1,528
Cash and cash equivalents at beginning of period	6,443	6,898
Cash and cash equivalents at end of period	8,008	8,426