

Translation

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**Summary of Consolidated Financial Results
for the Nine Months Ended February 28, 2019
(Based on Japanese GAAP)**

April 4, 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: April 11, 2019
 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, 2019 (from June 1, 2018 to February 28, 2019)

(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, 2019 | 41,108 | (6.1) | 1,388 | (30.3) | 1,178 | (35.8) | 729 | (44.3) |
| Nine months ended February 28, 2018 | 43,757 | 7.0 | 1,990 | 25.8 | 1,834 | 11.8 | 1,309 | 23.4 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended February 28, 2019 | 24.96 | | – | |
| Nine months ended February 28, 2018 | 51.39 | | – | |

(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, 2019 | 48,555 | 19,693 | 39.4 | 628.22 |
| 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 | | | | |
| 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 nine months ended February 28, 2019
(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 February 28, 2019 | 30,688,569 shares | As of May 31, 2018 | 25,688,569 shares |
|-------------------------|-------------------|--------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|--------------------|----------------|
| As of February 28, 2019 | 204,590 shares | As of May 31, 2018 | 204,497 shares |
|-------------------------|----------------|--------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended February 28, 2019 | 29,222,259 shares | Nine months ended February 28, 2018 | 25,484,150 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of May 31, 2018 | As of February 28, 2019 |
|--|--------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,898 | 8,145 |
| Notes and accounts receivable - trade | 12,069 | 12,057 |
| Merchandise and finished goods | 958 | 932 |
| Work in process | 1,924 | 2,244 |
| Raw materials and supplies | 693 | 929 |
| Other | 1,701 | 1,833 |
| Allowance for doubtful accounts | (0) | (0) |
| Total current assets | 24,245 | 26,140 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,251 | 6,491 |
| Machinery, equipment and vehicles, net | 7,863 | 8,174 |
| Tools, furniture and fixtures, net | 876 | 900 |
| Land | 4,471 | 4,575 |
| Construction in progress | 368 | 952 |
| Total property, plant and equipment | 19,832 | 21,096 |
| Intangible assets | | |
| Goodwill | 205 | 186 |
| Other | 410 | 416 |
| Total intangible assets | 616 | 603 |
| Investments and other assets | | |
| Investment securities | 395 | 24 |
| Other | 865 | 690 |
| Allowance for doubtful accounts | (29) | - |
| Allowance for investment loss | (276) | - |
| Total investments and other assets | 955 | 715 |
| Total non-current assets | 21,404 | 22,414 |
| Total assets | 45,649 | 48,555 |

(Millions of yen)

| | As of May 31, 2018 | As of February 28, 2019 |
|---|--------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 9,293 | 9,322 |
| Short-term loans payable | 5,438 | 2,450 |
| Current portion of long-term loans payable | 2,526 | 2,840 |
| Current portion of bonds | 230 | 150 |
| Income taxes payable | 215 | 265 |
| Provision for bonuses | 169 | 134 |
| Provision for directors' bonuses | 36 | – |
| Other | 3,790 | 3,918 |
| Total current liabilities | 21,702 | 19,082 |
| Non-current liabilities | | |
| Bonds payable | 375 | 300 |
| Long-term loans payable | 3,821 | 6,661 |
| Provision for directors' retirement benefits | 23 | 23 |
| Net defined benefit liability | 956 | 905 |
| Other | 1,809 | 1,889 |
| Total non-current liabilities | 6,986 | 9,779 |
| Total liabilities | 28,688 | 28,861 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,885 | 4,008 |
| Capital surplus | 2,964 | 4,087 |
| Retained earnings | 12,095 | 12,458 |
| Treasury shares | (43) | (43) |
| Total shareholders' equity | 17,901 | 20,511 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3) | (3) |
| Remeasurements of defined benefit plans | (360) | (306) |
| Deferred gains or losses on hedges | (0) | 0 |
| Foreign currency translation adjustment | (1,112) | (1,050) |
| Total accumulated other comprehensive income | (1,476) | (1,360) |
| Non-controlling interests | 535 | 542 |
| Total net assets | 16,961 | 19,693 |
| Total liabilities and net assets | 45,649 | 48,555 |

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, 2018 | Nine months ended February 28, 2019 |
|---|--|--|
| Net sales | 43,757 | 41,108 |
| Cost of sales | 36,877 | 34,772 |
| Gross profit | 6,879 | 6,336 |
| Selling, general and administrative expenses | 4,888 | 4,948 |
| Operating profit | 1,990 | 1,388 |
| Non-operating income | | |
| Interest and dividend income | 25 | 26 |
| Rent income | 45 | 47 |
| Foreign exchange gains | 31 | – |
| Other | 106 | 52 |
| Total non-operating income | 208 | 126 |
| Non-operating expenses | | |
| Interest expenses | 195 | 178 |
| Share of loss of entities accounted for using equity method | 29 | – |
| Foreign exchange losses | – | 36 |
| Other | 139 | 121 |
| Total non-operating expenses | 364 | 336 |
| Ordinary profit | 1,834 | 1,178 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 5 | 10 |
| State subsidy | 25 | 38 |
| Reversal of allowance for investment loss | 20 | – |
| Total extraordinary income | 50 | 48 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 28 | 23 |
| Loss on sales of non-current assets | 7 | 4 |
| Loss on sales of shares of subsidiaries and associates | – | 16 |
| Loss on Swap EL | 27 | 82 |
| Loss on reduction of non-current assets | 25 | 38 |
| Total extraordinary losses | 89 | 165 |
| Profit before income taxes | 1,796 | 1,061 |
| Income taxes - current | 469 | 287 |
| Income taxes for prior periods | – | 40 |
| Total income taxes | 469 | 327 |
| Profit | 1,326 | 734 |
| Profit attributable to non-controlling interests | 17 | 4 |
| Profit attributable to owners of parent | 1,309 | 729 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended February 28, 2018 | Nine months ended February 28, 2019 |
|--|--|--|
| Profit | 1,326 | 734 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1 | (0) |
| Deferred gains or losses on hedges | – | 0 |
| Foreign currency translation adjustment | 10 | 64 |
| Remeasurements of defined benefit plans, net of tax | 88 | 54 |
| Share of other comprehensive income of entities accounted for using equity method | 9 | – |
| Total other comprehensive income | 109 | 118 |
| Comprehensive income | 1,436 | 852 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,414 | 845 |
| Comprehensive income attributable to non-controlling interests | 21 | 7 |