

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Three Months Ended August 31, 2018
(Based on Japanese GAAP)**

October 12, 2018

Company name: SANKI SERVICE CORPORATION

Stock exchange listing: Tokyo

Stock code: 6044 URL <http://www.sanki-s.co.jp>

Representative: President & CEO Yoshikane Nakashima

Inquiries: Director of the Administration Division Tatsuo Kitakoshi TEL 079-289-4411

Scheduled date to file Quarterly Securities Report: October 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 three months ended August 31, 2018 (from June 1, 2018 to August 31, 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	%
Three months ended August 31, 2018	2,662	25.3	72	150.8	75	155.5	51	158.4
Three months ended August 31, 2017	2,125	13.7	28	11.8	29	33.7	20	21.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2018	8.94	8.82
Three months ended August 31, 2017	3.58	3.55

(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, 2018	4,042	2,335	57.7	403.18
As of May 31, 2018	4,735	2,445	51.6	422.25

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended May 31, 2018	Yen —	Yen 0.00	Yen —	Yen 28.00	Yen 28.00
Year ending May 31, 2019	—	—	—	—	—
Year ending May 31, 2019 (Forecast)	—	0.00	—	30.00	30.00

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
Six months ending November 30, 2018	5,976	13.2	437	14.5	433	13.1	290	10.8	50.15
Full year	12,500	12.1	875	12.6	869	12.0	580	10.0	100.19

4. Notes

(1) Changes in significant subsidiaries during the three months ended August 31, 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 August 31, 2018	5,789,285 shares	As of May 31, 2018	5,789,285 shares
Number of treasury shares at the end of the period			
As of August 31, 2018	75 shares	As of May 31, 2018	43 shares
Average number of shares during the period (cumulative from the beginning of the fiscal year)			
Three months ended August 31, 2018	5,789,227 shares	Three months ended August 31, 2017	5,589,242 shares

Quarterly consolidated financial statements

Consolidated balance sheets

	(Thousands of yen)	
	As of May 31, 2018	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	1,560,905	1,112,850
Notes and accounts receivable - trade	2,215,150	1,891,515
Costs on uncompleted construction contracts	77,181	92,320
Raw materials and supplies	15,207	32,110
Other	83,588	106,983
Allowance for doubtful accounts	(1,178)	(1,130)
Total current assets	3,950,855	3,234,649
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	253,559	249,998
Land	93,797	93,797
Other, net	29,895	27,209
Total property, plant and equipment	377,252	371,005
Intangible assets	51,219	75,304
Investments and other assets		
Investment securities	74,148	74,820
Long-term prepaid expenses	94,499	95,821
Net defined benefit asset	26,804	27,215
Deferred tax assets	104,607	104,424
Other	61,002	64,180
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	356,139	361,540
Total non-current assets	784,612	807,850
Total assets	4,735,467	4,042,499
Liabilities		
Current liabilities		
Accounts payable for construction contracts	1,154,921	730,435
Current portion of long-term loans payable	59,992	59,992
Income taxes payable	205,938	34,630
Provision for bonuses	141,164	77,773
Other	305,728	393,876
Total current liabilities	1,867,744	1,296,708
Non-current liabilities		
Long-term loans payable	100,028	85,030
Provision for directors' retirement benefits	164,582	–
Net defined benefit liability	128,407	130,956
Asset retirement obligations	13,995	14,048
Other	15,200	180,693
Total non-current liabilities	422,214	410,728
Total liabilities	2,289,958	1,707,436

	(Thousands of yen)	
	As of May 31, 2018	As of August 31, 2018
Net assets		
Shareholders' equity		
Capital stock	550,628	550,628
Capital surplus	436,128	436,128
Retained earnings	1,453,716	1,343,344
Treasury shares	(26)	(99)
Total shareholders' equity	<u>2,440,446</u>	<u>2,330,001</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,690	5,067
Foreign currency translation adjustment	(608)	(987)
Total accumulated other comprehensive income	<u>4,081</u>	<u>4,080</u>
Share acquisition rights	981	981
Total net assets	<u>2,445,509</u>	<u>2,335,063</u>
Total liabilities and net assets	<u>4,735,467</u>	<u>4,042,499</u>

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

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Three months ended August 31, 2017	Three months ended August 31, 2018
Net sales	2,125,321	2,662,522
Cost of sales	1,702,874	2,151,486
Gross profit	422,446	511,035
Selling, general and administrative expenses	393,728	439,021
Operating profit	28,718	72,014
Non-operating income		
Interest income	168	338
Dividend income	208	259
Commission fee	302	316
House rent income	579	579
Foreign exchange gains	681	–
Compensation income	–	3,358
Other	256	346
Total non-operating income	2,196	5,198
Non-operating expenses		
Interest expenses	491	483
Foreign exchange losses	–	187
Taxes and dues	725	825
Other	100	94
Total non-operating expenses	1,317	1,590
Ordinary profit	29,598	75,621
Profit before income taxes	29,598	75,621
Income taxes	9,578	23,894
Profit	20,019	51,727
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	20,019	51,727

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended August 31, 2017	Three months ended August 31, 2018
Profit	20,019	51,727
Other comprehensive income		
Valuation difference on available-for-sale securities	(697)	377
Foreign currency translation adjustment	588	(378)
Total other comprehensive income	(108)	(0)
Comprehensive income	19,911	51,726
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,911	51,726
Comprehensive income attributable to non-controlling interests	—	—