

Translation

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

January 11, 2019

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: January 11, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(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	5,931	12.4	393	3.0	397	3.6	273	4.2
Six months ended November 30, 2017	5,279	24.2	381	40.7	383	42.0	262	39.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended November 30, 2018	47.13	46.57
Six months ended November 30, 2017	46.90	46.45

(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	4,722	2,576	54.5	443.27
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
	Yen	Yen	Yen	Yen	Yen
Year ended May 31, 2018	–	0.00	–	28.00	28.00
Year ending May 31, 2019	–	0.00			
Year ending May 31, 2019 (Forecast)			–	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
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 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: 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, 2018	5,811,385 shares	As of May 31, 2018	5,789,285 shares
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Number of treasury shares at the end of the period

As of November 30, 2018	109 shares	As of May 31, 2018	43 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	5,797,665 shares	Six months ended November 30, 2017	5,589,242 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	1,560,905	986,874
Notes and accounts receivable - trade	2,215,150	2,679,622
Costs on uncompleted construction contracts	77,181	66,691
Raw materials and supplies	15,207	40,200
Other	83,588	129,665
Allowance for doubtful accounts	(1,178)	(1,207)
Total current assets	3,950,855	3,901,846
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	253,559	247,815
Land	93,797	93,797
Other, net	29,895	35,251
Total property, plant and equipment	377,252	376,863
Intangible assets	51,219	78,443
Investments and other assets		
Investment securities	74,148	74,171
Long-term prepaid expenses	94,499	97,370
Net defined benefit asset	26,804	28,380
Deferred tax assets	104,607	104,641
Other	61,002	65,604
Allowance for doubtful accounts	(4,921)	(4,921)
Total investments and other assets	356,139	365,247
Total non-current assets	784,612	820,554
Total assets	4,735,467	4,722,401
Liabilities		
Current liabilities		
Accounts payable for construction contracts	1,154,921	1,167,612
Current portion of long-term loans payable	59,992	59,992
Income taxes payable	205,938	143,829
Provision for bonuses	141,164	111,155
Other	305,728	256,637
Total current liabilities	1,867,744	1,739,227
Non-current liabilities		
Long-term loans payable	100,028	70,032
Provision for directors' retirement benefits	164,582	—
Net defined benefit liability	128,407	134,093
Asset retirement obligations	13,995	15,478
Other	15,200	186,817
Total non-current liabilities	422,214	406,420
Total liabilities	2,289,958	2,145,648

	(Thousands of yen)	
	As of May 31, 2018	As of November 30, 2018
Net assets		
Shareholders' equity		
Capital stock	550,628	561,199
Capital surplus	436,128	446,699
Retained earnings	1,453,716	1,564,847
Treasury shares	(26)	(179)
Total shareholders' equity	2,440,446	2,572,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,690	4,555
Foreign currency translation adjustment	(608)	(1,183)
Total accumulated other comprehensive income	4,081	3,371
Share acquisition rights	981	814
Total net assets	2,445,509	2,576,753
Total liabilities and net assets	4,735,467	4,722,401

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Net sales	5,279,133	5,931,549
Cost of sales	4,123,738	4,676,138
Gross profit	1,155,395	1,255,411
Selling, general and administrative expenses	773,531	862,227
Operating profit	381,863	393,183
Non-operating income		
Interest income	430	665
Dividend income	208	259
House rent income	1,158	1,158
Commission fee	592	626
Foreign exchange gains	1,724	—
Compensation income	—	3,358
Other	283	888
Total non-operating income	4,396	6,956
Non-operating expenses		
Interest expenses	919	1,041
Taxes and dues	1,350	1,350
Foreign exchange losses	—	352
Other	529	189
Total non-operating expenses	2,799	2,933
Ordinary profit	383,460	397,206
Profit before income taxes	383,460	397,206
Income taxes	121,303	123,977
Profit	262,157	273,229
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	262,157	273,229

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Profit	262,157	273,229
Other comprehensive income		
Valuation difference on available-for-sale securities	640	(134)
Foreign currency translation adjustment	1,136	(574)
Total other comprehensive income	1,776	(709)
Comprehensive income	263,933	272,520
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	263,933	272,520
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Cash flows from operating activities		
Profit before income taxes	383,460	397,206
Depreciation	17,627	17,693
Increase (decrease) in allowance for doubtful accounts	(119)	54
Decrease (increase) in net defined benefit asset	(1,110)	(1,576)
Increase (decrease) in net defined benefit liability	5,441	5,685
Increase (decrease) in provision for directors' retirement benefits	(3,834)	(164,582)
Increase (decrease) in provision for bonuses	3,614	(29,987)
Interest and dividend income	(638)	(925)
Interest expenses	919	1,041
Share-based compensation expenses	—	2,159
Compensation income	—	(3,358)
Foreign exchange losses (gains)	(1,558)	498
Decrease (increase) in notes and accounts receivable - trade	(633,858)	(466,528)
Decrease (increase) in inventories	(44,077)	(14,525)
Increase (decrease) in notes and accounts payable - trade	441,478	13,898
Decrease (increase) in other current assets	2,719	(37,112)
Increase (decrease) in other current liabilities	(10,057)	(41,947)
Other, net	774	156,618
Subtotal	160,781	(165,688)
Interest and dividend income received	475	912
Interest expenses paid	(904)	(1,026)
Receipts of receiving compensation	—	3,358
Income taxes paid	(134,540)	(184,754)
Net cash provided by (used in) operating activities	25,813	(347,198)
Cash flows from investing activities		
Payments into time deposits	(6,010)	(6,011)
Proceeds from withdrawal of time deposits	55,235	—
Purchase of property, plant and equipment	(5,202)	(3,447)
Purchase of intangible assets	(19,982)	(43,434)
Purchase of investment securities	(57,330)	(217)
Payments for lease and guarantee deposits	(6,135)	(2,338)
Proceeds from collection of lease and guarantee deposits	542	265
Purchase of long-term prepaid expenses	(2,720)	(2,967)
Other, net	(2,470)	(2,470)
Net cash provided by (used in) investing activities	(44,075)	(60,622)
Cash flows from financing activities		
Repayments of long-term loans payable	(29,996)	(29,996)
Purchase of treasury shares	—	(153)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	12,339
Cash dividends paid	(110,650)	(161,862)
Other, net	(4,989)	7,900
Net cash provided by (used in) financing activities	(145,636)	(171,771)
Effect of exchange rate change on cash and cash equivalents	2,170	(450)
Net increase (decrease) in cash and cash equivalents	(161,728)	(580,042)
Cash and cash equivalents at beginning of period	813,248	1,361,509
Cash and cash equivalents at end of period	651,519	781,467