

**Translation**

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**Summary of Consolidated Financial Results  
for the Six Months Ended May 31, 2016  
(Based on Japanese GAAP)**

July 5, 2016

Company name: S-Pool, Inc.  
 Stock exchange listing: Tokyo  
 Stock code: 2471 URL <http://www.spool.co.jp>  
 Representative: Chairman of the Board, President, and Sohei Urakami  
 Representative Director  
 Inquiries: Director Hideaki Sato TEL 03-6859-5599  
 Scheduled date to file Quarterly Securities Report: July 13, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended May 31, 2016 (from December 1, 2015 to May 31, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

|                               | Net sales       |      | Operating income |        | Ordinary income |        | Profit attributable to owners of parent |   |
|-------------------------------|-----------------|------|------------------|--------|-----------------|--------|-----------------------------------------|---|
|                               | Millions of yen | %    | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | % |
| Six months ended May 31, 2016 | 4,298           | 25.0 | 247              | 682.0  | 240             | 776.8  | 200                                     | – |
| Six months ended May 31, 2015 | 3,438           | 6.2  | 31               | (74.3) | 27              | (76.8) | (14)                                    | – |

|                               | Earnings per share |  | Diluted earnings per share |  |
|-------------------------------|--------------------|--|----------------------------|--|
|                               | Yen                |  | Yen                        |  |
| Six months ended May 31, 2016 | 66.89              |  | 66.72                      |  |
| Six months ended May 31, 2015 | (4.97)             |  | –                          |  |

(2) Consolidated financial position

|                         | Total assets    |  | Net assets      |  | Equity ratio |  | Net assets per share |  |
|-------------------------|-----------------|--|-----------------|--|--------------|--|----------------------|--|
|                         | Millions of yen |  | Millions of yen |  | %            |  | Yen                  |  |
| As of May 31, 2016      | 2,999           |  | 834             |  | 27.6         |  | 275.54               |  |
| As of November 30, 2015 | 2,664           |  | 663             |  | 24.7         |  | 218.74               |  |

2. Cash dividends

|                                          | Annual dividends per share |                 |                 |                 |       |
|------------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
|                                          | 1st quarter-end            | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| Year ended November 30, 2015             | –                          | 0.00            | –               | 10.00           | 10.00 |
| Year ending November 30, 2016            | –                          | 0.00            | –               | –               | –     |
| Year ending November 30, 2016 (Forecast) | –                          | –               | –               | 10.00           | 10.00 |

3. Forecast of consolidated financial results for the year ending November 30, 2016 (from December 1, 2015 to November 30, 2016)

Percentages indicate year-on-year changes

|           | Net sales       |      | Operating income |       | Ordinary income |       | Profit attributable to owners of parent |   | Earnings per share |  |
|-----------|-----------------|------|------------------|-------|-----------------|-------|-----------------------------------------|---|--------------------|--|
|           | Millions of yen | %    | Millions of yen  | %     | Millions of yen | %     | Millions of yen                         | % | Yen                |  |
| Full year | 8,220           | 13.1 | 270              | 354.1 | 258             | 421.2 | 183                                     | – | 61.05              |  |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended May 31, 2016  
 (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: No
- (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 May 31, 2016 | 3,003,400 shares | As of November 30, 2015 | 3,003,400 shares |
|--------------------|------------------|-------------------------|------------------|

Number of treasury shares at the end of the period

|                    |           |                         |           |
|--------------------|-----------|-------------------------|-----------|
| As of May 31, 2016 | 62 shares | As of November 30, 2015 | 62 shares |
|--------------------|-----------|-------------------------|-----------|

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

|                               |                  |                               |                  |
|-------------------------------|------------------|-------------------------------|------------------|
| Six months ended May 31, 2016 | 3,003,338 shares | Six months ended May 31, 2015 | 3,003,338 shares |
|-------------------------------|------------------|-------------------------------|------------------|

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

|                                              | As of November 30, 2015 | As of May 31, 2016 |
|----------------------------------------------|-------------------------|--------------------|
| <b>Assets</b>                                |                         |                    |
| Current assets                               |                         |                    |
| Cash and deposits                            | 691,045                 | 899,288            |
| Notes and accounts receivable - trade        | 1,031,995               | 1,009,702          |
| Merchandise                                  | 9,294                   | 16,573             |
| Other                                        | 183,468                 | 149,225            |
| Allowance for doubtful accounts              | (4,204)                 | (691)              |
| Total current assets                         | 1,911,599               | 2,074,100          |
| Non-current assets                           |                         |                    |
| Property, plant and equipment                |                         |                    |
| Buildings and structures, net                | 384,852                 | 577,453            |
| Other, net                                   | 170,727                 | 152,043            |
| Total property, plant and equipment          | 555,579                 | 729,496            |
| Intangible assets                            | 50,421                  | 66,470             |
| Investments and other assets                 |                         |                    |
| Other                                        | 173,092                 | 159,048            |
| Allowance for doubtful accounts              | (26,232)                | (29,392)           |
| Total investments and other assets           | 146,860                 | 129,655            |
| Total non-current assets                     | 752,861                 | 925,622            |
| Total assets                                 | 2,664,460               | 2,999,722          |
| <b>Liabilities</b>                           |                         |                    |
| Current liabilities                          |                         |                    |
| Accounts payable - trade                     | 110,589                 | 99,600             |
| Short-term loans payable                     | 470,000                 | 650,000            |
| Current portion of long-term loans payable   | 162,176                 | 162,176            |
| Income taxes payable                         | 33,359                  | 55,314             |
| Accrued expenses                             | 436,405                 | 453,480            |
| Provision for bonuses                        | 8,175                   | 38,570             |
| Other                                        | 295,288                 | 264,601            |
| Total current liabilities                    | 1,515,993               | 1,723,742          |
| Non-current liabilities                      |                         |                    |
| Long-term loans payable                      | 405,558                 | 324,470            |
| Asset retirement obligations                 | 62,692                  | 92,430             |
| Other                                        | 16,325                  | 24,643             |
| Total non-current liabilities                | 484,575                 | 441,543            |
| Total liabilities                            | 2,000,568               | 2,165,286          |
| <b>Net assets</b>                            |                         |                    |
| Shareholders' equity                         |                         |                    |
| Capital stock                                | 351,138                 | 351,138            |
| Capital surplus                              | 201,138                 | 201,138            |
| Retained earnings                            | 104,101                 | 274,963            |
| Treasury shares                              | (53)                    | (53)               |
| Total shareholders' equity                   | 656,324                 | 827,186            |
| Accumulated other comprehensive income       |                         |                    |
| Foreign currency translation adjustment      | 638                     | 348                |
| Total accumulated other comprehensive income | 638                     | 348                |
| Subscription rights to shares                | 6,930                   | 6,901              |
| Total net assets                             | 663,892                 | 834,436            |
| Total liabilities and net assets             | 2,664,460               | 2,999,722          |

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

**Consolidated statements of income (cumulative)**

(Thousands of yen)

|                                                               | Six months ended<br>May 31, 2015 | Six months ended<br>May 31, 2016 |
|---------------------------------------------------------------|----------------------------------|----------------------------------|
| Net sales                                                     | 3,438,857                        | 4,298,501                        |
| Cost of sales                                                 | 2,611,377                        | 3,042,413                        |
| Gross profit                                                  | 827,480                          | 1,256,088                        |
| Selling, general and administrative expenses                  | 795,839                          | 1,008,656                        |
| Operating income                                              | 31,640                           | 247,431                          |
| Non-operating income                                          |                                  |                                  |
| Interest income                                               | 179                              | 114                              |
| Share of profit of entities accounted for using equity method | –                                | 859                              |
| Commission fee                                                | 467                              | 789                              |
| Interest on refund                                            | 43                               | 120                              |
| Other                                                         | 68                               | 205                              |
| Total non-operating income                                    | 759                              | 2,090                            |
| Non-operating expenses                                        |                                  |                                  |
| Interest expenses                                             | 4,617                            | 5,052                            |
| Provision of allowance for doubtful accounts                  | –                                | 3,533                            |
| Share of loss of entities accounted for using equity method   | 304                              | –                                |
| Other                                                         | –                                | 6                                |
| Total non-operating expenses                                  | 4,921                            | 8,592                            |
| Ordinary income                                               | 27,478                           | 240,929                          |
| Extraordinary losses                                          |                                  |                                  |
| Loss on retirement of non-current assets                      | 2,642                            | 6,660                            |
| Head office transfer cost                                     | 28,734                           | –                                |
| Total extraordinary losses                                    | 31,376                           | 6,660                            |
| Income (loss) before income taxes and minority interests      | (3,898)                          | 234,269                          |
| Income taxes - current                                        | 12,734                           | 49,074                           |
| Income taxes - deferred                                       | (1,705)                          | (15,700)                         |
| Total income taxes                                            | 11,029                           | 33,373                           |
| Profit (loss)                                                 | (14,927)                         | 200,896                          |
| Profit (loss) attributable to owners of parent                | (14,927)                         | 200,896                          |

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

|                                                                                      | Six months ended<br>May 31, 2015 | Six months ended<br>May 31, 2016 |
|--------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Profit (loss)                                                                        | (14,927)                         | 200,896                          |
| Other comprehensive income                                                           |                                  |                                  |
| Share of other comprehensive income of entities accounted<br>for using equity method | 45                               | (289)                            |
| Total other comprehensive income                                                     | 45                               | (289)                            |
| Comprehensive income                                                                 | (14,882)                         | 200,606                          |
| Comprehensive income attributable to                                                 |                                  |                                  |
| Comprehensive income attributable to owners of parent                                | (14,882)                         | 200,606                          |
| Comprehensive income attributable to non-controlling<br>interests                    | —                                | —                                |

## Consolidated statements of cash flows

(Thousands of yen)

|                                                                      | Six months ended<br>May 31, 2015 | Six months ended<br>May 31, 2016 |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| Cash flows from operating activities                                 |                                  |                                  |
| Income (loss) before income taxes and minority interests             | (3,898)                          | 234,269                          |
| Depreciation                                                         | 32,427                           | 73,965                           |
| Increase (decrease) in allowance for doubtful accounts               | (4,352)                          | (352)                            |
| Increase (decrease) in provision for bonuses                         | 22,626                           | 30,395                           |
| Increase (decrease) in provision for directors' bonuses              | (14,600)                         | –                                |
| Interest and dividend income                                         | (179)                            | (114)                            |
| Interest expenses                                                    | 4,617                            | 5,052                            |
| Share of (profit) loss of entities accounted for using equity method | 304                              | (859)                            |
| Loss on retirement of non-current assets                             | 2,642                            | 6,660                            |
| Impairment loss                                                      | 24,482                           | –                                |
| Decrease (increase) in notes and accounts receivable - trade         | (14,392)                         | 22,292                           |
| Decrease (increase) in inventories                                   | 1,757                            | (7,279)                          |
| Increase (decrease) in notes and accounts payable - trade            | (11,886)                         | (10,989)                         |
| Increase (decrease) in accrued expenses                              | (8,152)                          | 17,074                           |
| Other, net                                                           | (68,661)                         | 6,401                            |
| Subtotal                                                             | (37,265)                         | 376,515                          |
| Interest and dividend income received                                | 179                              | 114                              |
| Interest expenses paid                                               | (4,715)                          | (4,949)                          |
| Income taxes (paid) refund                                           | (45,249)                         | 7,182                            |
| Net cash provided by (used in) operating activities                  | (87,051)                         | 378,863                          |
| Cash flows from investing activities                                 |                                  |                                  |
| Purchase of property, plant and equipment                            | (80,619)                         | (231,748)                        |
| Purchase of intangible assets                                        | (18,685)                         | (24,800)                         |
| Payments for lease and guarantee deposits                            | (60,277)                         | (7,150)                          |
| Proceeds from collection of lease and guarantee deposits             | 1,207                            | 23,617                           |
| Collection of loans receivable                                       | 300                              | 187                              |
| Net cash provided by (used in) investing activities                  | (158,073)                        | (239,894)                        |
| Cash flows from financing activities                                 |                                  |                                  |
| Net increase (decrease) in short-term loans payable                  | 160,000                          | 180,000                          |
| Proceeds from long-term loans payable                                | 150,000                          | –                                |
| Repayments of long-term loans payable                                | (49,106)                         | (81,088)                         |
| Cash dividends paid                                                  | (29,537)                         | (29,637)                         |
| Net cash provided by (used in) financing activities                  | 231,356                          | 69,274                           |
| Net increase (decrease) in cash and cash equivalents                 | (13,768)                         | 208,243                          |
| Cash and cash equivalents at beginning of period                     | 819,288                          | 691,045                          |
| Cash and cash equivalents at end of period                           | 805,520                          | 899,288                          |