

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended November 30, 2014 (Based on Japanese GAAP)

January 8, 2015

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/Senior Executive Officer Akira Serikawa TEL 0763-52-7105  
 Scheduled date to file Quarterly Securities Report: January 13, 2015  
 Scheduled date to commence dividend payments: January 30, 2015  
 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 six months ended November 30, 2014 (from June 1, 2014 to November 30, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended November 30, 2014	24,544	17.5	1,053	15.9	1,006	44.9	745	39.5
Six months ended November 30, 2013	20,882	7.1	908	22.0	694	(40.1)	534	(29.1)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended November 30, 2014	35.63		-	
Six months ended November 30, 2013	25.53		-	

(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, 2014	39,151		12,274		29.0		542.40	
As of May 31, 2014	34,128		10,866		29.4		479.41	

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, 2014	-	3.00	-	4.00	7.00
Year ending May 31, 2015	-	4.00	-	-	-
Year ending May 31, 2015 (Forecast)	-	-	-	4.00	8.00

3. Forecast of consolidated financial results for the year ending May 31, 2015 (from June 1, 2014 to May 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	49,000	13.3	2,100	10.4	1,800	15.4	1,300	15.5	62.13	

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2014  
(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, 2014	21,121,569 shares	As of May 31, 2014	21,121,569 shares
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Number of treasury shares at the end of the period

As of November 30, 2014	200,082 shares	As of May 31, 2014	198,638 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, 2014	20,922,274 shares	Six months ended November 30, 2013	20,925,447 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of May 31, 2014	As of November 30, 2014
Assets		
Current assets		
Cash and deposits	3,649,699	3,408,134
Notes and accounts receivable - trade	8,662,193	11,404,770
Merchandise and finished goods	666,353	780,161
Work in process	1,930,537	1,781,006
Raw materials and supplies	608,060	725,658
Other	1,835,377	2,739,218
Allowance for doubtful accounts	(7,304)	(8,803)
Total current assets	17,344,918	20,830,147
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,932,370	5,537,929
Machinery, equipment and vehicles, net	4,904,634	5,735,702
Tools, furniture and fixtures, net	1,890,629	1,806,881
Land	2,884,631	3,054,292
Construction in progress	216,908	85,026
Total property, plant and equipment	14,829,174	16,219,833
Intangible assets		
Other	235,245	329,815
Total intangible assets	235,245	329,815
Investments and other assets		
Investment securities	1,355,791	1,367,337
Other	422,254	433,573
Allowance for doubtful accounts	(58,446)	(29,580)
Total investments and other assets	1,719,600	1,771,331
Total non-current assets	16,784,020	18,320,980
Total assets	34,128,938	39,151,127

(Thousands of yen)

	As of May 31, 2014	As of November 30, 2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	9,108,777	10,699,018
Short-term loans payable	1,455,757	2,367,771
Current portion of long-term loans payable	1,736,035	1,423,642
Current portion of bonds	520,000	520,000
Income taxes payable	298,285	280,220
Provision for directors' bonuses	26,840	–
Other	2,778,036	3,481,371
<b>Total current liabilities</b>	<b>15,923,732</b>	<b>18,772,024</b>
<b>Non-current liabilities</b>		
Bonds payable	1,340,000	1,080,000
Long-term loans payable	2,878,779	3,572,274
Provision for directors' retirement benefits	23,400	23,400
Net defined benefit liability	607,010	603,818
Other	2,489,550	2,825,235
<b>Total non-current liabilities</b>	<b>7,338,740</b>	<b>8,104,728</b>
<b>Total liabilities</b>	<b>23,262,473</b>	<b>26,876,752</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,890,800	1,890,800
Capital surplus	1,742,393	1,742,393
Retained earnings	7,256,201	7,917,999
Treasury shares	(41,153)	(41,674)
<b>Total shareholders' equity</b>	<b>10,848,240</b>	<b>11,509,519</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,473	(675)
Deferred gains or losses on hedges	2	–
Foreign currency translation adjustment	(590,432)	38,647
Remeasurements of defined benefit plans	(228,510)	(199,549)
<b>Total accumulated other comprehensive income</b>	<b>(817,465)</b>	<b>(161,578)</b>
<b>Minority interests</b>	<b>835,689</b>	<b>926,433</b>
<b>Total net assets</b>	<b>10,866,464</b>	<b>12,274,375</b>
<b>Total liabilities and net assets</b>	<b>34,128,938</b>	<b>39,151,127</b>

**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, 2013	Six months ended November 30, 2014
Net sales	20,882,738	24,544,298
Cost of sales	17,606,264	20,803,223
Gross profit	3,276,473	3,741,074
Selling, general and administrative expenses	2,367,478	2,687,893
Operating income	908,995	1,053,181
Non-operating income		
Interest and dividend income	6,793	5,115
Share of profit of entities accounted for using equity method	46,263	19,103
Foreign exchange gains	–	102,663
Other	38,187	100,891
Total non-operating income	91,243	227,775
Non-operating expenses		
Interest expenses	177,119	229,044
Foreign exchange losses	82,546	–
Other	45,927	45,234
Total non-operating expenses	305,593	274,278
Ordinary income	694,646	1,006,678
Extraordinary income		
Gain on sales of non-current assets	3,274	1,033
Total extraordinary income	3,274	1,033
Extraordinary losses		
Loss on retirement of non-current assets	9,358	9,135
Loss on sales of non-current assets	401	50
Loss on valuation of investment securities	–	12,000
Loss on valuation of shares of subsidiaries and associates	3,000	–
Loss on swap	1,989	7,768
Total extraordinary losses	14,748	28,953
Income before income taxes and minority interests	683,171	978,758
Income taxes	30,522	218,216
Income before minority interests	652,648	760,542
Minority interests in income	118,258	15,051
Net income	534,390	745,490

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

(Thousands of yen)

	Six months ended November 30, 2013	Six months ended November 30, 2014
Income before minority interests	652,648	760,542
Other comprehensive income		
Valuation difference on available-for-sale securities	(608)	(898)
Deferred gains or losses on hedges	138	(2)
Foreign currency translation adjustment	(209,858)	731,175
Remeasurements of defined benefit plan	–	28,101
Share of other comprehensive income of entities accounted for using equity method	33,201	6,903
Total other comprehensive income	(177,126)	765,278
Comprehensive income	475,522	1,525,820
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	403,816	1,401,378
Comprehensive income attributable to minority interests	71,705	124,442

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2013	Six months ended November 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	683,171	978,758
Depreciation	912,158	1,151,281
Share of (profit) loss of entities accounted for using equity method	(46,263)	(19,103)
Increase (decrease) in allowance for doubtful accounts	(3,690)	(27,367)
Increase (decrease) in provision for retirement benefits	52,220	–
Increase(decrease)in net defined benefit liability	–	(22,816)
Interest and dividend income	(6,793)	(5,115)
Interest expenses	177,119	229,044
Loss (gain) on sales of property, plant and equipment	(2,873)	(983)
Loss on Valuation of Investment Securities OpeCF	3,000	12,000
Loss on retirement of property, plant and equipment	9,358	9,135
Foreign exchange losses (gains)	82,546	(102,663)
Loss(Gain) on swap	1,989	7,768
Decrease (increase) in notes and accounts receivable - trade	352,039	(2,225,246)
Decrease (increase) in inventories	(253,524)	75,463
Decrease (increase) in other asset	(382,828)	(566,252)
Increase (decrease) in notes and accounts payable - trade	779,424	822,708
Increase (decrease) in other liability	(462,876)	(202,926)
Increase (decrease) in notes discounted	–	49,995
Other, net	(121,610)	81,587
Subtotal	1,772,568	245,265
Interest and dividend income received	6,793	5,115
Interest expenses paid	(166,997)	(213,821)
Income taxes paid	(269,504)	(311,481)
Net cash provided by (used in) operating activities	1,342,859	(274,920)
Cash flows from investing activities		
Purchase of investment securities	(344)	(352)
Purchase of shares of subsidiaries and associates	(48,193)	–
Purchase of property, plant and equipment	(1,113,421)	(513,747)
Proceeds from sales of property, plant and equipment	3,787	1,080
Other, net	(41,402)	(41,486)
Net cash provided by (used in) investing activities	(1,199,574)	(554,506)

(Thousands of yen)

	Six months ended November 30, 2013	Six months ended November 30, 2014
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(10,098)	699,900
Proceeds from long-term loan payable	525,144	1,258,438
Repayments of long-term loans payable	(1,191,137)	(1,142,030)
Proceeds from issuance of bonds	800,000	–
Redemption of bonds	(180,000)	(260,000)
Proceeds from sales and leasebacks	148,513	359,885
Repayments of lease obligations	(366,266)	(549,146)
Cash dividends paid	(62,777)	(83,691)
Cash dividends paid to minority shareholders	(126,787)	(53,312)
Purchase of treasury shares	(517)	(520)
Net cash provided by (used in) financing activities	(463,926)	229,522
Effect of exchange rate change on cash and cash equivalents	(35,196)	358,339
Net increase (decrease) in cash and cash equivalents	(355,837)	(241,565)
Cash and cash equivalents at beginning of period	4,218,121	3,649,699
Cash and cash equivalents at end of period	3,862,283	3,408,134