

Translation

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Summary of Consolidated Financial Results for the Three Months Ended August 31, 2014 (Based on Japanese GAAP)

October 8, 2014

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: October 14, 2014
 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, 2014 (from June 1, 2014 to August 31, 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	%
Three months ended August 31, 2014	11,465	18.6	511	35.9	465	110.6	326	74.2
Three months ended August 31, 2013	9,667	2.6	376	(9.1)	220	(70.4)	187	(68.8)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended August 31, 2014	15.60		–	
Three months ended August 31, 2013	8.95		–	

(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, 2014	34,591	11,310	30.1	498.13
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	Yen	Yen	Yen	Yen
Year ended May 31, 2014	–	3.00	–	4.00	7.00
Year ending May 31, 2015	–	–	–	–	–
Year ending May 31, 2015 (Forecast)	–	4.00	–	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
Six months ending November 30, 2014	22,000	5.4	1,000	10.0	900	29.6	600	12.3	28.67
Full year	45,000	4.1	2,100	10.4	1,800	15.4	1,200	6.7	57.35

4. Notes

- (1) Changes in significant subsidiaries during the three months ended August 31, 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 August 31, 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 August 31, 2014	198,853 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)

Three months ended August 31, 2014	20,922,791 shares	Three months ended August 31, 2013	20,925,924 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2014	As of August 31, 2014
Assets		
Current assets		
Cash and deposits	3,649,699	3,229,462
Notes and accounts receivable - trade	8,662,193	9,404,871
Merchandise and finished goods	666,353	736,907
Work in process	1,930,537	1,622,969
Raw materials and supplies	608,060	625,872
Other	1,835,377	2,087,149
Allowance for doubtful accounts	(7,304)	(7,775)
Total current assets	17,344,918	17,699,456
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,932,370	4,975,666
Machinery, equipment and vehicles, net	4,904,634	4,990,574
Tools, furniture and fixtures, net	1,890,629	1,807,421
Land	2,884,631	2,919,140
Construction in progress	216,908	217,117
Total property, plant and equipment	14,829,174	14,909,921
Intangible assets		
Other	235,245	280,286
Total intangible assets	235,245	280,286
Investments and other assets		
Investment securities	1,355,791	1,333,753
Other	422,254	397,294
Allowance for doubtful accounts	(58,446)	(29,580)
Total investments and other assets	1,719,600	1,701,467
Total non-current assets	16,784,020	16,891,675
Total assets	34,128,938	34,591,131

(Thousands of yen)

	As of May 31, 2014	As of August 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,108,777	8,869,405
Short-term loans payable	1,455,757	1,608,635
Current portion of long-term loans payable	1,736,035	1,741,778
Current portion of bonds	520,000	520,000
Income taxes payable	298,285	163,552
Provision for directors' bonuses	26,840	–
Other	2,778,036	2,732,394
Total current liabilities	15,923,732	15,635,767
Non-current liabilities		
Bonds payable	1,340,000	1,290,000
Long-term loans payable	2,878,779	3,003,803
Provision for directors' retirement benefits	23,400	23,400
Net defined benefit liability	607,010	600,671
Other	2,489,550	2,727,412
Total non-current liabilities	7,338,740	7,645,287
Total liabilities	23,262,473	23,281,054
Net assets		
Shareholders' equity		
Capital stock	1,890,800	1,890,800
Capital surplus	1,742,393	1,742,393
Retained earnings	7,256,201	7,499,018
Treasury shares	(41,153)	(41,215)
Total shareholders' equity	10,848,240	11,090,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,473	(433)
Deferred gains or losses on hedges	2	77
Foreign currency translation adjustment	(590,432)	(454,253)
Remeasurements of defined benefit plans	(228,510)	(214,039)
Total accumulated other comprehensive income	(817,465)	(668,648)
Minority interests	835,689	887,727
Total net assets	10,866,464	11,310,076
Total liabilities and net assets	34,128,938	34,591,131

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, 2013	Three months ended August 31, 2014
Net sales	9,667,460	11,465,677
Cost of sales	8,191,743	9,747,570
Gross profit	1,475,717	1,718,107
Selling, general and administrative expenses	1,099,371	1,206,636
Operating income	376,345	511,470
Non-operating income		
Interest and dividend income	2,578	1,970
Foreign exchange gains	–	64,183
Commission fee	4,522	–
Scrap Income	6,643	–
Other	6,717	40,855
Total non-operating income	20,462	107,008
Non-operating expenses		
Interest expenses	89,717	106,052
Share of loss of entities accounted for using equity method	7,009	23,632
Foreign exchange losses	71,939	–
Other	7,187	23,520
Total non-operating expenses	175,855	153,205
Ordinary income	220,952	465,273
Extraordinary income		
Gain on sales of non-current assets	2,602	258
Gain on swap	424	–
Total extraordinary income	3,027	258
Extraordinary losses		
Loss on retirement of non-current assets	6,213	7,181
Loss on sales of non-current assets	162	50
Loss on Swap EL	–	729
Total extraordinary losses	6,376	7,961
Income before income taxes and minority interests	217,602	457,570
Income taxes	(55,924)	115,913
Income before minority interests	273,527	341,657
Minority interests in income	86,117	15,148
Net income	187,410	326,509

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended August 31, 2013	Three months ended August 31, 2014
Income before minority interests	273,527	341,657
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,988)	(112)
Deferred gains or losses on hedges	–	75
Foreign currency translation adjustment	(403,787)	160,002
Remeasurements of defined benefit plans, net of tax	–	14,050
Share of other comprehensive income of entities accounted for using equity method	25,329	3,475
Total other comprehensive income	(382,447)	177,491
Comprehensive income	(108,919)	519,149
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(115,914)	475,327
Comprehensive income attributable to minority interests	6,995	43,821