

Translation

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Summary of Consolidated Financial Results for the Three Months Ended August 31, 2015 (Based on Japanese GAAP)

October 9, 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: October 13, 2015
 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, 2015 (from June 1, 2015 to August 31, 2015)

(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	%
Three months ended August 31, 2015	14,167	23.6	667	30.5	121	(73.9)	(89)	–
Three months ended August 31, 2014	11,465	18.6	511	35.9	465	110.3	326	74.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended August 31, 2015	(3.96)		–	
Three months ended August 31, 2014	15.60		–	

(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, 2015	44,046		14,365		30.7		530.47	
As of May 31, 2015	45,407		13,049		26.6		576.79	

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, 2015	–	4.00	–	5.00	9.00
Year ending May 31, 2016	–	–	–	–	–
Year ending May 31, 2016 (Forecast)	–	5.00	–	5.00	10.00

3. Forecast of consolidated financial results for the year ending May 31, 2016 (from June 1, 2015 to May 31, 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
Six months ending November 30, 2015	29,500	20.2	1,200	13.9	1,050	4.3	750	0.6	31.30
Full year	60,000	19.6	2,500	6.9	2,100	11.9	1,500	10.3	60.67

4. Notes

- (1) Changes in significant subsidiaries during the three months ended August 31, 2015
(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, 2015	25,688,569 shares	As of May 31, 2015	21,121,569 shares
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Number of treasury shares at the end of the period

As of August 31, 2015	202,214 shares	As of May 31, 2015	202,146 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, 2015	22,460,170 shares	Three months ended August 31, 2014	20,922,791 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2015	As of August 31, 2015
Assets		
Current assets		
Cash and deposits	5,515,246	5,998,319
Notes and accounts receivable - trade	12,138,861	12,398,965
Merchandise and finished goods	1,729,390	1,157,189
Work in process	1,562,364	1,463,983
Raw materials and supplies	766,805	772,698
Other	1,953,406	1,738,354
Allowance for doubtful accounts	(10,521)	(10,174)
Total current assets	23,655,554	23,519,337
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,584,002	6,382,657
Machinery, equipment and vehicles, net	6,970,479	6,580,431
Tools, furniture and fixtures, net	1,881,252	1,608,720
Land	4,272,321	4,170,591
Construction in progress	259,867	84,028
Total property, plant and equipment	19,967,923	18,826,429
Intangible assets		
Goodwill	335,345	320,145
Other	478,483	460,841
Total intangible assets	813,828	780,986
Investments and other assets		
Investment securities	670,876	647,993
Other	329,031	301,270
Allowance for doubtful accounts	(29,580)	(29,580)
Total investments and other assets	970,328	919,683
Total non-current assets	21,752,080	20,527,099
Total assets	45,407,634	44,046,436

(Thousands of yen)

	As of May 31, 2015	As of August 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,675,650	9,351,298
Short-term loans payable	5,919,299	5,657,800
Current portion of long-term loans payable	1,778,956	1,815,929
Current portion of bonds	520,000	470,000
Income taxes payable	425,599	176,729
Provision for bonuses	97,500	144,418
Provision for directors' bonuses	31,845	–
Provision for loss on construction contracts	16,656	16,615
Other	3,754,697	3,552,089
Total current liabilities	23,220,203	21,184,881
Non-current liabilities		
Bonds payable	820,000	820,000
Long-term loans payable	5,095,830	4,721,574
Provision for directors' retirement benefits	23,400	23,200
Net defined benefit liability	549,023	530,072
Other	2,649,835	2,401,542
Total non-current liabilities	9,138,089	8,496,389
Total liabilities	32,358,293	29,681,270
Net assets		
Shareholders' equity		
Capital stock	1,890,800	2,885,734
Capital surplus	1,742,393	2,737,760
Retained earnings	8,436,202	8,242,567
Treasury shares	(42,541)	(42,576)
Total shareholders' equity	12,026,854	13,823,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,380	794
Deferred gains or losses on hedges	19	–
Foreign currency translation adjustment	161,993	(190,276)
Remeasurements of defined benefit plans	(123,976)	(114,055)
Total accumulated other comprehensive income	39,417	(303,538)
Non-controlling interests	983,069	845,218
Total net assets	13,049,341	14,365,166
Total liabilities and net assets	45,407,634	44,046,436

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, 2014	Three months ended August 31, 2015
Net sales	11,465,677	14,167,424
Cost of sales	9,747,570	11,969,660
Gross profit	1,718,107	2,197,764
Selling, general and administrative expenses	1,206,636	1,530,356
Operating income	511,470	667,408
Non-operating income		
Interest and dividend income	1,970	2,831
Foreign exchange gains	64,183	–
Compensation income	–	29,385
Other	40,855	13,910
Total non-operating income	107,008	46,126
Non-operating expenses		
Interest expenses	106,052	109,534
Share of loss of entities accounted for using equity method	23,632	3,352
Foreign exchange losses	–	412,054
Other	23,520	67,095
Total non-operating expenses	153,205	592,038
Ordinary income	465,273	121,496
Extraordinary income		
Gain on sales of non-current assets	258	335
Gain on swap	–	2,732
Total extraordinary income	258	3,067
Extraordinary losses		
Loss on retirement of non-current assets	7,181	5,318
Loss on sales of non-current assets	50	3,203
Loss on Swap EL	729	–
Loss on disaster	–	55,446
Special retirement expenses	–	96,462
Total extraordinary losses	7,961	160,430
Income (loss) before income taxes and minority interests	457,570	(35,866)
Income taxes	115,913	129,699
Profit (loss)	341,657	(165,565)
Profit (loss) attributable to non-controlling interests	15,148	(76,527)
Profit (loss) attributable to owners of parent	326,509	(89,037)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended August 31, 2014	Three months ended August 31, 2015
Profit (loss)	341,657	(165,565)
Other comprehensive income		
Valuation difference on available-for-sale securities	(112)	(586)
Deferred gains or losses on hedges	75	(19)
Foreign currency translation adjustment	160,002	(388,266)
Remeasurements of defined benefit plans, net of tax	14,050	9,921
Share of other comprehensive income of entities accounted for using equity method	3,475	(22,682)
Total other comprehensive income	177,491	(401,634)
Comprehensive income	519,149	(567,199)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	475,327	(431,993)
Comprehensive income attributable to non-controlling interests	43,821	(135,205)