

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended November 30, 2015 (Based on Japanese GAAP)

January 7, 2016

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, 2016  
 Scheduled date to commence dividend payments: February 2, 2016  
 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, 2015 (from June 1, 2015 to November 30, 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	%
Six months ended November 30, 2015	29,421	19.9	1,395	32.5	784	(22.0)	532	(28.6)
Six months ended November 30, 2014	24,544	17.5	1,053	15.9	1,006	44.9	745	39.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2015	22.20		-	
Six months ended November 30, 2014	35.63		-	

(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, 2015	43,975	14,996	32.3	557.81
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	-	5.00	-	-	-
Year ending May 31, 2016 (Forecast)	-	-	-	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
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 six months ended November 30, 2015  
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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, 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 November 30, 2015	202,874 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)

Six months ended November 30, 2015	23,964,839 shares	Six months ended November 30, 2014	20,922,274 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of May 31, 2015	As of November 30, 2015
Assets		
Current assets		
Cash and deposits	5,515,246	5,897,140
Notes and accounts receivable - trade	12,138,861	12,103,904
Merchandise and finished goods	1,729,390	727,495
Work in process	1,562,364	1,615,686
Raw materials and supplies	766,805	716,723
Other	1,953,406	1,862,899
Allowance for doubtful accounts	(10,521)	(10,511)
Total current assets	23,655,554	22,913,338
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,584,002	6,453,757
Machinery, equipment and vehicles, net	6,970,479	6,973,491
Tools, furniture and fixtures, net	1,881,252	1,416,569
Land	4,272,321	4,188,384
Construction in progress	259,867	191,965
Total property, plant and equipment	19,967,923	19,224,169
Intangible assets		
Goodwill	335,345	405,393
Other	478,483	512,162
Total intangible assets	813,828	917,556
Investments and other assets		
Investment securities	670,876	614,790
Other	329,031	334,886
Allowance for doubtful accounts	(29,580)	(29,580)
Total investments and other assets	970,328	920,097
Total non-current assets	21,752,080	21,061,823
Total assets	45,407,634	43,975,161

(Thousands of yen)

	As of May 31, 2015	As of November 30, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	10,675,650	9,563,363
Short-term loans payable	5,919,299	2,454,521
Current portion of long-term loans payable	1,778,956	2,402,797
Current portion of bonds	520,000	470,000
Income taxes payable	425,599	317,674
Provision for bonuses	97,500	98,500
Provision for directors' bonuses	31,845	–
Provision for loss on construction contracts	16,656	16,543
Other	3,754,697	3,544,566
<b>Total current liabilities</b>	<b>23,220,203</b>	<b>18,867,967</b>
<b>Non-current liabilities</b>		
Bonds payable	820,000	610,000
Long-term loans payable	5,095,830	6,603,058
Provision for directors' retirement benefits	23,400	23,200
Net defined benefit liability	549,023	500,712
Other	2,649,835	2,373,894
<b>Total non-current liabilities</b>	<b>9,138,089</b>	<b>10,110,866</b>
<b>Total liabilities</b>	<b>32,358,293</b>	<b>28,978,833</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,890,800	2,885,734
Capital surplus	1,742,393	2,748,496
Retained earnings	8,436,202	8,863,619
Treasury shares	(42,541)	(42,836)
<b>Total shareholders' equity</b>	<b>12,026,854</b>	<b>14,455,015</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,380	(343)
Deferred gains or losses on hedges	19	26
Foreign currency translation adjustment	161,993	(144,342)
Remeasurements of defined benefit plans	(123,976)	(94,170)
<b>Total accumulated other comprehensive income</b>	<b>39,417</b>	<b>(238,829)</b>
<b>Non-controlling interests</b>	<b>983,069</b>	<b>780,142</b>
<b>Total net assets</b>	<b>13,049,341</b>	<b>14,996,328</b>
<b>Total liabilities and net assets</b>	<b>45,407,634</b>	<b>43,975,161</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, 2014	Six months ended November 30, 2015
Net sales	24,544,298	29,421,695
Cost of sales	20,803,223	24,784,279
Gross profit	3,741,074	4,637,416
Selling, general and administrative expenses	2,687,893	3,241,471
Operating income	1,053,181	1,395,945
Non-operating income		
Interest and dividend income	5,115	4,752
Share of profit of entities accounted for using equity method	19,103	–
Foreign exchange gains	102,663	–
Scrap income	26,197	13,795
Compensation income	–	30,681
Other	74,694	18,756
Total non-operating income	227,775	67,986
Non-operating expenses		
Interest expenses	229,044	211,498
Share of loss of entities accounted for using equity method	–	8,899
Foreign exchange losses	–	406,217
Other	45,234	52,490
Total non-operating expenses	274,278	679,105
Ordinary income	1,006,678	784,825
Extraordinary income		
Gain on sales of non-current assets	1,033	2,294
Gain on step acquisitions	–	72,483
Other	–	8,724
Total extraordinary income	1,033	83,502
Extraordinary losses		
Loss on retirement of non-current assets	9,135	12,266
Loss on sales of non-current assets	50	3,858
Loss on swap	7,768	41,201
Special retirement expenses	–	97,603
Loss disaster	–	63,941
Other	12,000	4,000
Total extraordinary losses	28,953	222,872
Income before income taxes and minority interests	978,758	645,456
Income taxes	218,216	269,724
Profit	760,542	375,731
Profit (loss) attributable to non-controlling interests	15,051	(156,282)
Profit attributable to owners of parent	745,490	532,014

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

(Thousands of yen)

	Six months ended November 30, 2014	Six months ended November 30, 2015
Profit	760,542	375,731
Other comprehensive income		
Valuation difference on available-for-sale securities	(898)	(1,724)
Deferred gains or losses on hedges	(2)	7
Foreign currency translation adjustment	731,175	(339,164)
Remeasurements of defined benefit plans, net of tax	28,101	29,806
Share of other comprehensive income of entities accounted for using equity method	6,903	(18,842)
Total other comprehensive income	765,278	(329,917)
Comprehensive income	1,525,820	45,814
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,401,378	253,766
Comprehensive income attributable to non-controlling interests	124,442	(207,952)

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2014	Six months ended November 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	978,758	645,456
Depreciation	1,151,281	1,333,592
Amortization of goodwill	–	16,801
Share of (profit) loss of entities accounted for using equity method	(19,103)	8,899
Increase (decrease) in allowance for doubtful accounts	(27,367)	(9)
Increase (decrease) in net defined benefit liability	(22,816)	(37,477)
Interest and dividend income	(5,115)	(4,752)
Interest expenses	229,044	211,498
Loss (gain) on sales of property, plant and equipment	(983)	1,564
Loss on Valuation of Investment Securities OpeCF	12,000	4,000
Loss on retirement of property, plant and equipment	9,135	12,266
Foreign exchange losses (gains)	(102,663)	406,217
Loss (Gain) on swap	7,768	41,201
Decrease (increase) in notes and accounts receivable - trade	(2,225,246)	(242,260)
Decrease (increase) in inventories	75,463	947,682
Decrease (increase) in other asset	(566,252)	353,376
Increase (decrease) in notes and accounts payable - trade	822,708	(737,706)
Increase (decrease) in other liability	(202,926)	(174,166)
Increase (decrease) in notes discounted	49,995	–
Other, net	81,587	(336,180)
Subtotal	245,265	2,450,002
Interest and dividend income received	5,115	4,752
Interest expenses paid	(213,821)	(207,596)
Income taxes paid	(311,481)	(433,559)
Net cash provided by (used in) operating activities	(274,920)	1,813,598
Cash flows from investing activities		
Purchase of investment securities	(352)	(359)
Purchase of property, plant and equipment	(513,747)	(689,362)
Proceeds from sales of property, plant and equipment	1,080	9,535
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	41,626
Other, net	(41,486)	(64,455)
Net cash provided by (used in) investing activities	(554,506)	(703,015)

(Thousands of yen)

	Six months ended November 30, 2014	Six months ended November 30, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	699,900	(3,381,385)
Proceeds from long-term loan payable	1,258,438	2,800,000
Repayments of long-term loans payable	(1,142,030)	(859,690)
Proceeds from issuance of common shares	–	1,989,869
Redemption of bonds	(260,000)	(260,000)
Proceeds from sales and leasebacks	359,885	–
Repayments of lease obligations	(549,146)	(563,919)
Cash dividends paid	(83,691)	(104,597)
Dividends paid to non-controlling interests	(53,312)	–
Purchase of treasury shares	(520)	(294)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(173,936)
Net cash provided by (used in) financing activities	229,522	(553,954)
Effect of exchange rate change on cash and cash equivalents	358,339	(174,734)
Net increase (decrease) in cash and cash equivalents	(241,565)	381,893
Cash and cash equivalents at beginning of period	3,649,699	5,515,246
Cash and cash equivalents at end of period	3,408,134	5,897,140