

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended February 29, 2016 (Based on Japanese GAAP)

April 8, 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: April 12, 2016
 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 nine months ended February 29, 2016 (from June 1, 2015 to February 29, 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	%
Nine months ended February 29, 2016	39,976	6.9	1,713	(4.9)	692	(56.8)	510	(59.4)
Nine months ended February 28, 2015	37,408	16.5	1,801	15.8	1,601	31.5	1,257	40.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended February 29, 2016	21.02		–	
Nine months ended February 28, 2015	60.12		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2016	42,055	14,118	32.0	528.19
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	56,000	11.6	2,200	(5.9)	1,300	(30.7)	900	(33.8)	36.40

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended February 29, 2016
(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 February 29, 2016	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 February 29, 2016	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)

Nine months ended February 29, 2016	24,267,408 shares	Nine months ended February 28, 2015	20,921,861 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	5,515,246	5,126,501
Notes and accounts receivable - trade	12,138,861	11,426,233
Merchandise and finished goods	1,729,390	868,386
Work in process	1,562,364	2,203,168
Raw materials and supplies	766,805	674,348
Other	1,953,406	1,947,333
Allowance for doubtful accounts	(10,521)	(9,925)
Total current assets	23,655,554	22,236,047
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,584,002	6,067,602
Machinery, equipment and vehicles, net	6,970,479	6,529,587
Tools, furniture and fixtures, net	1,881,252	1,301,186
Land	4,272,321	4,085,562
Construction in progress	259,867	182,171
Total property, plant and equipment	19,967,923	18,166,109
Intangible assets		
Goodwill	335,345	369,480
Other	478,483	487,097
Total intangible assets	813,828	856,577
Investments and other assets		
Investment securities	670,876	510,529
Other	329,031	315,982
Allowance for doubtful accounts	(29,580)	(29,580)
Total investments and other assets	970,328	796,931
Total non-current assets	21,752,080	19,819,619
Total assets	45,407,634	42,055,666

(Thousands of yen)

	As of May 31, 2015	As of February 29, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,675,650	9,431,293
Short-term loans payable	5,919,299	2,777,795
Current portion of long-term loans payable	1,778,956	2,338,906
Current portion of bonds	520,000	420,000
Income taxes payable	425,599	142,543
Provision for bonuses	97,500	51,227
Provision for directors' bonuses	31,845	–
Provision for loss on construction contracts	16,656	16,543
Other	3,754,697	3,611,115
Total current liabilities	23,220,203	18,789,426
Non-current liabilities		
Bonds payable	820,000	610,000
Long-term loans payable	5,095,830	5,949,395
Provision for directors' retirement benefits	23,400	23,200
Net defined benefit liability	549,023	426,092
Other	2,649,835	2,139,370
Total non-current liabilities	9,138,089	9,148,057
Total liabilities	32,358,293	27,937,484
Net assets		
Shareholders' equity		
Capital stock	1,890,800	2,885,734
Capital surplus	1,742,393	2,748,496
Retained earnings	8,436,202	8,714,476
Treasury shares	(42,541)	(42,836)
Total shareholders' equity	12,026,854	14,305,872
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,380	(2,921)
Deferred gains or losses on hedges	19	–
Foreign currency translation adjustment	161,993	(761,893)
Remeasurements of defined benefit plans	(123,976)	(79,814)
Total accumulated other comprehensive income	39,417	(844,629)
Non-controlling interests	983,069	656,938
Total net assets	13,049,341	14,118,182
Total liabilities and net assets	45,407,634	42,055,666

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended February 28, 2015	Nine months ended February 29, 2016
Net sales	37,408,491	39,976,651
Cost of sales	31,655,526	33,648,002
Gross profit	5,752,964	6,328,648
Selling, general and administrative expenses	3,951,492	4,615,140
Operating income	1,801,471	1,713,508
Non-operating income		
Interest and dividend income	7,541	15,484
Share of profit of entities accounted for using equity method	48,786	–
Foreign exchange gains	15,869	–
Compensation income	–	28,528
Other	120,833	49,812
Total non-operating income	193,030	93,825
Non-operating expenses		
Interest expenses	335,918	307,117
Share of loss of entities accounted for using equity method	–	16,534
Foreign exchange losses	–	563,687
Other	57,471	227,875
Total non-operating expenses	393,390	1,115,216
Ordinary income	1,601,111	692,116
Extraordinary income		
Gain on sales of non-current assets	25,390	2,169
Gain on sales of investment securities	–	2,854
Income for insurance	–	198,697
Gain on step acquisitions	–	72,483
Total extraordinary income	25,390	276,204
Extraordinary losses		
Loss on retirement of non-current assets	11,535	24,364
Loss on sales of non-current assets	50	3,345
Loss on Swap EL	6,724	31,976
Special retirement expenses	–	159,858
disaster loss	–	59,283
Other	12,000	4,000
Total extraordinary losses	30,310	282,829
Income before income taxes and minority interests	1,596,191	685,491
Income taxes	348,001	396,428
Profit	1,248,190	289,063
Loss attributable to non-controlling interests	(9,662)	(221,236)
Profit attributable to owners of parent	1,257,852	510,299

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended February 28, 2015	Nine months ended February 29, 2016
Profit	1,248,190	289,063
Other comprehensive income		
Valuation difference on available-for-sale securities	(452)	(4,302)
Deferred gains or losses on hedges	(2)	(19)
Foreign currency translation adjustment	721,137	(925,551)
Remeasurements of defined benefit plans, net of tax	42,152	44,162
Share of other comprehensive income of entities accounted for using equity method	39,915	(107,823)
Total other comprehensive income	802,749	(993,535)
Comprehensive income	2,050,940	(704,471)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,935,647	(373,746)
Comprehensive income attributable to non-controlling interests	115,292	(330,724)