

Translation

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Summary of Consolidated Financial Results for the Three Months Ended August 31, 2016 (Based on Japanese GAAP)

October 11, 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: October 13, 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 three months ended August 31, 2016 (from June 1, 2016 to August 31, 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 | % |
| Three months ended August 31, 2016 | 12,871 | (9.1) | 354 | (46.9) | 173 | 42.8 | 110 | – |
| Three months ended August 31, 2015 | 14,167 | 23.6 | 667 | 30.5 | 121 | (73.9) | (89) | – |

| | Earnings per share | | Diluted earnings per share | |
|------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Three months ended August 31, 2016 | 4.32 | | – | |
| Three months ended August 31, 2015 | (3.96) | | – | |

(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, 2016 | 39,972 | 13,245 | 32.3 | 506.63 |
| As of May 31, 2016 | 42,774 | 13,904 | 31.6 | 529.77 |

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, 2016 | – | 5.00 | – | 5.00 | 10.00 |
| Year ending May 31, 2017 | – | – | – | – | – |
| Year ending May 31, 2017 (Forecast) | – | 5.00 | – | 5.00 | 10.00 |

3. Forecast of consolidated financial results for the year ending May 31, 2017 (from June 1, 2016 to May 31, 2017)

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, 2016 | 27,500 | (7.8) | 1,200 | (18.6) | 800 | 1.5 | 600 | 9.1 | 24.27 |
| Full year | 56,000 | 0.6 | 2,400 | 9.9 | 2,000 | 48.3 | 1,300 | 12.7 | 52.58 |

4. Notes

- (1) Changes in significant subsidiaries during the three months ended August 31, 2016
(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: No
- 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, 2016 | 25,688,569 shares | As of May 31, 2016 | 25,688,569 shares |
|-----------------------|-------------------|--------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-----------------------|----------------|--------------------|----------------|
| As of August 31, 2016 | 202,874 shares | As of May 31, 2016 | 202,619 shares |
|-----------------------|----------------|--------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|------------------------------------|-------------------|------------------------------------|-------------------|
| Three months ended August 31, 2016 | 25,485,695 shares | Three months ended August 31, 2015 | 22,460,170 shares |
|------------------------------------|-------------------|------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of May 31, 2016 | As of August 31, 2016 |
|--|--------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,505,690 | 4,606,810 |
| Notes and accounts receivable - trade | 11,955,992 | 10,856,058 |
| Merchandise and finished goods | 855,038 | 1,021,412 |
| Work in process | 1,983,503 | 1,804,411 |
| Raw materials and supplies | 639,169 | 688,038 |
| Other | 1,779,370 | 1,745,087 |
| Allowance for doubtful accounts | (6,914) | (6,490) |
| Total current assets | 22,711,850 | 20,715,327 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,088,305 | 5,781,490 |
| Machinery, equipment and vehicles, net | 6,644,508 | 6,249,937 |
| Tools, furniture and fixtures, net | 1,192,770 | 1,085,637 |
| Land | 4,076,293 | 4,014,866 |
| Construction in progress | 115,497 | 233,487 |
| Total property, plant and equipment | 18,117,375 | 17,365,420 |
| Intangible assets | | |
| Goodwill | 383,868 | 337,695 |
| Other | 491,542 | 460,935 |
| Total intangible assets | 875,410 | 798,631 |
| Investments and other assets | | |
| Investment securities | 486,215 | 495,367 |
| Other | 613,065 | 627,533 |
| Allowance for doubtful accounts | (29,580) | (29,580) |
| Total investments and other assets | 1,069,701 | 1,093,321 |
| Total non-current assets | 20,062,487 | 19,257,372 |
| Total assets | 42,774,338 | 39,972,700 |

(Thousands of yen)

| | As of May 31, 2016 | As of August 31, 2016 |
|---|--------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 9,805,627 | 9,049,496 |
| Short-term loans payable | 2,546,034 | 2,194,298 |
| Current portion of long-term loans payable | 2,531,541 | 2,409,835 |
| Current portion of bonds | 420,000 | 420,000 |
| Income taxes payable | 354,619 | 129,707 |
| Provision for bonuses | 103,727 | 68,322 |
| Provision for directors' bonuses | 26,460 | – |
| Other | 3,282,797 | 2,996,073 |
| Total current liabilities | 19,070,806 | 17,267,733 |
| Non-current liabilities | | |
| Bonds payable | 400,000 | 400,000 |
| Long-term loans payable | 6,289,951 | 5,963,663 |
| Provision for directors' retirement benefits | 23,200 | 23,200 |
| Net defined benefit liability | 1,068,372 | 1,039,662 |
| Other | 2,017,026 | 2,032,492 |
| Total non-current liabilities | 9,798,550 | 9,459,018 |
| Total liabilities | 28,869,357 | 26,726,752 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,885,734 | 2,885,734 |
| Capital surplus | 2,714,859 | 2,714,859 |
| Retained earnings | 9,357,489 | 9,340,360 |
| Treasury shares | (42,836) | (42,836) |
| Total shareholders' equity | 14,915,247 | 14,898,118 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (4,300) | (4,471) |
| Foreign currency translation adjustment | (849,688) | (1,425,176) |
| Remeasurements of defined benefit plans | (559,516) | (556,615) |
| Total accumulated other comprehensive income | (1,413,504) | (1,986,263) |
| Non-controlling interests | 403,238 | 334,093 |
| Total net assets | 13,904,981 | 13,245,948 |
| Total liabilities and net assets | 42,774,338 | 39,972,700 |

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, 2015 | Three months ended August 31, 2016 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 14,167,424 | 12,871,925 |
| Cost of sales | 11,969,660 | 11,001,647 |
| Gross profit | 2,197,764 | 1,870,278 |
| Selling, general and administrative expenses | 1,530,356 | 1,516,151 |
| Operating income | 667,408 | 354,126 |
| Non-operating income | | |
| Interest and dividend income | 2,831 | 8,251 |
| Share of profit of entities accounted for using equity method | – | 1,290 |
| Compensation income | 29,385 | 22,906 |
| Rent income | 2,850 | 15,447 |
| Other | 11,060 | 11,302 |
| Total non-operating income | 46,126 | 59,198 |
| Non-operating expenses | | |
| Interest expenses | 109,534 | 88,357 |
| Share of loss of entities accounted for using equity method | 3,352 | – |
| Foreign exchange losses | 412,054 | 135,326 |
| Other | 67,095 | 16,148 |
| Total non-operating expenses | 592,038 | 239,832 |
| Ordinary income | 121,496 | 173,492 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 335 | 8,851 |
| Gain on swap | 2,732 | – |
| Total extraordinary income | 3,067 | 8,851 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 5,318 | 451 |
| Loss on sales of non-current assets | 3,203 | 420 |
| Loss on Swap EL | – | 5,464 |
| Loss on disaster | 55,446 | – |
| Special retirement expenses | 96,462 | – |
| Total extraordinary losses | 160,430 | 6,337 |
| Profit (loss) before income taxes | (35,866) | 176,007 |
| Income taxes | 129,699 | 132,107 |
| Profit (loss) | (165,565) | 43,900 |
| Loss attributable to non-controlling interests | (76,527) | (66,399) |
| Profit (loss) attributable to owners of parent | (89,037) | 110,299 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Three months ended August 31, 2015 | Three months ended August 31, 2016 |
|--|---------------------------------------|---------------------------------------|
| Profit (loss) | (165,565) | 43,900 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (586) | (171) |
| Deferred gains or losses on hedges | (19) | – |
| Foreign currency translation adjustment | (388,266) | (605,561) |
| Remeasurements of defined benefit plans, net of tax | 9,921 | 2,900 |
| Share of other comprehensive income of entities accounted for using equity method | (22,682) | 7,810 |
| Total other comprehensive income | (401,634) | (595,021) |
| Comprehensive income | (567,199) | (551,121) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (431,993) | (462,459) |
| Comprehensive income attributable to non-controlling interests | (135,205) | (88,662) |